THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 78, No. 10 — August 17, 1946

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SUBSCRIPTION PRICE—$10.00 a year in advance in the United States and its possesions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

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EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

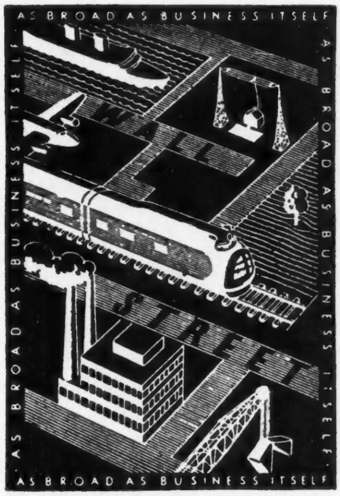
Cable Address—Tickerpub

TELEVISION

Far-reaching changes are taking place in the art of communications, not the least important of which is television. Behind the progress of this medium are profound technological advances—in the electronic equipment employed, in photography, in new techniques of casting. Just when television will attain a mass market is difficult to predict with accuracy, but it is making notable strides toward realizing this goal. Prices of television receivers are being gradually reduced.

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Publisher*



The Trend of Events

A YEAR AFTER V-J DAY. Just a year ago, United States might humbled the last remnant of the Axis, and thus terminated one of the deadliest wars in history as well as the most colossal production epic on our part that the world has ever witnessed anywhere. In light of woeful predictions of shattering dislocations in the nation's economy consequent upon defeat of the Celestial Empire, it seemed that the horrors of war would be succeeded by the horrors of peace. To be sure, somber clouds hover in the economic scene of a year later, but green fertile landscape is visible, too; so that judicious reflection and the facts would refute both the pessimists and the optimists of last year.

Looking back at the mixed feelings of jubilation and confusion generated by V-J Day, there is no doubt that the pessimists had captured the public's ear. Boiled down, the consensus of Government and private economists was that severe unemployment and deflation was unavoidable. Estimates of 5,000,000 out of jobs by Christmas of 1945 and of 7 to 8 million unemployed by March, 1946 were common. Secretary of Commerce Henry A. Wallace, for one, was skeptical that inflation would occur and was more afraid of deflation.

How do these forecasts look now? To say the least, they reflect little credit on the use of statistics and the ability of statisticians to project future trends. Oh yes, unemployment appeared, but for the wrong reasons. The assumption was that a sharp decline in output due to reconversion difficulties would throw many war workers into the streets. But when production and employment did fall off, it was principally because of the strike epidemic which hit the country. At no time did unemployment rise above the postwar peak of 2.7 million persons despite the return of nearly 12 million veterans of World War II to civilian life. And to cap the story, total civilian employment in the first week of June was estimated by the Census Bureau at 56.7 million persons, the highest figure in history! As for deflation, the Bureau of Labor index of wholesale prices on August 3 stood 18.5% higher than at the end of the war—a rise which obviously suggests the dominance of inflationary forces.

Nor have events proved kind to those optimists who envisioned unlimited public spending for the stream of goods which was to flow off crowded assembly lines. Of course, strikes upset this dream. Instead of abundance, scarcities of civilian goods in many instances have become worse than during the war. In place of a spending spree, buyers' markets have sprung up in one industry after another; since high prices have absorbed consumer purchasing power and have caused people to be thrifty and selective in buying. Nevertheless, sellers' markets still prevail in some industries fortunate enough to enjoy them.

If the balance sheet items of pessimism and optimism are added, it must be said that on the whole the picture is in favor of the optimists. Notwithstanding the uncertainties currently staining the business outlook, the likely probability is that a shortage of labor coinciding with capacity output may prevail in coming months.

A YEAR OF BRITISH SOCIALISM — Just a little more than a year has passed since the British electorate surprised the world and voted into power England's first Socialist administration. The event, it will be recalled, was accompanied by dire predictions and much concern in our own financial quarters.

Even a year of the new regime is hardly sufficient to appraise it thoroughly, for certainly many of its effects are yet to be demonstrated. But from such developments as have been manifest to date, and the trends they suggest, it is possible to draw at least tentative conclusions. What is taking place in Britain is unquestionably a revolution, for it is shaking the old-line social and economic patterns of British life to their foundations. But it is a revolution of a typical British sort, restrained, orderly, and moderate in its processes, regardless of what its final results may be. Moreover, many of the "capitalistic" features are being retained, but comingled with Socialistic additions so as to produce a hybrid type of economy. The new dispensation more closely resembles the Swedish "middle of the road" order, rather than any extreme form of radicalism.

Typically Socialistic are such innovations as the nationalization program, which will affect the banks, mines, utilities and basic industries. There is also heavy emphasis upon State planning, of which we have seen only the barest vestiges thus far. Some of the aims of the Atlee government bear close resemblance to our own "New Deal" in its earlier days: stimulation of purchasing power in the hands of the people, a broader distribution of wealth, a wider program of social security.

But at the same time the essentials of free enterprise remain: the profit motive, freedom of movement on the part of the worker, the accent on export trade (which has shown marked growth in recent months), and wide latitude for managerial initiative. And the character of British labor is essentially conservative, with a much smaller proportion of left-wing elements than its American counterpart. Trade unions in the United Kingdom bear many resemblances to the craft guilds of an earlier age, and are strongly attached to the profit system. Its leadership, by and large, is from stable, middle class families, many with conservative, religious backgrounds.

And, to the surprise of many, the new command in London is as nationalistic in many respects as were its Tory predecessors. Although notable concessions have been offered to India, the new cabinet is nevertheless Empire-minded, and its foreign policy is nationalistic rather than pan-socialistic.

But it would be a mistake to infer that capitalism has a guaranteed tenure in present-day Britain. The bloodless revolution at the polls a year ago was the culmination of many forces and reflects the austere conditions of life in the British Isles—an austerity which is unimagined in this country. It was an attempt to solve these problems that the British people turned toward greater State control. Whether the new administration will turn to the Left or Right, or will seek a middle course, will depend largely upon British economic trends in the year ahead.

INVESTMENT MARKET SIGNALS —The new securities market bears close watching at this time, particularly for what it may portend for the future. In recent weeks, the market for new offerings has been not too auspicious, with a number of deals going "sticky" and some offerings having to be marked down before they could be moved. Such symptoms always merit close attention, for they frequently give an advance tip-off of possible trouble ahead. We have, accordingly, been taking such signals into consideration in formulating our market policies.

But there are, nevertheless, certain favorable factors in the situation which must also be taken into account if a realistic, balanced picture is to be obtained. Underwriters of new equity and bond issues are optimistic, and expect that their new offerings for the balance of the year will reach near record levels. While a good portion of this will be for refunding purposes, new money issues are expected to attain large volume, probably the best since 1930.

Public utility financing is expected to figure prominently in the coming financing boom, with further public distribution of holding companies' investments, in accordance with requirements of the Holding Company Act. Meanwhile, various corporations are in need of new funds for working capital, plant expansion and other purposes, and large investors, such as insurance, are accumulating idle cash which must eventually be put to profitable employment. Ultimately, demand and supply will meet in the capital market.

The causes behind the slackening in new financing are several. For one thing, the uneasier tone of the stock market has dampened the ardor of many investors, and called for greater discrimination, if not caution. Congestion of recent issues on the shelves of underwriters has been another factor, and has been largely responsible for the price concessions which had to be made in some instances. The firming tendency of money rates also gave considerable pause to new financing, mostly in the bond and preferred stock sections, although this had some psychological influence upon stock financing plans.

Still another significant capital market item is the recent decision to retain 100% cash margins on security accounts, thus quieting the many rumors intimating that a relaxation in the rule was imminent. The 100% cash rule thus far has contributed to the thinness of the present market, but it is unquestionably a safety measure in the long run, as it would obviate the distress type of margin liquidation which was so conspicuous in 1929.

So, while there is much in the present market which calls for caution, encouraging features are not entirely lacking.

As I See It!

By ROBERT GUISE

BY HOOK OR CROOK

It seems the height of incongruity to call the present meeting in Paris a "peace" conference, for what is taking place there is anything but pacific in nature or in what it portends for the future of the world. Diplomatic protocol has been shattered, and the conventional double-talk of professional diplomacy has given way to name calling and bickering unheard of at any major international conference in the annuals of diplomatic history.

And while all this controversy is going on important political maneuverings are taking place in various countries in the struggle between Moscow and the western allies. The case of France is highly significant, for it not only is a key piece on the international chessboard, but illustrates the Soviet's use of indirection and political guile where more direct efforts fail.

The Really Hard Nut to Crack

Berg, in The Christian Science Monitor

Gaining control of France ranks high on the Kremlin's agenda, for with much of Central and Eastern Europe under its sway, Russia could dominate much of the west. The French Communists were expected to swing France into line with this program through the ballot, but despite their admitted strength, they were unable to do so in the last elections. Hence, a change in leftist tactics became necessary. Where an attempt to "deliver" the country from within had failed, a *tour de force* in the political arena might succeed. So, to the surprise of some observers, Russia suddenly comes out in support of a "unified" and strong Germany.

But to anyone even superficially acquainted with the wiles of European diplomacy, such a move occasions no great shock. Russia well realizes that the spectre of a revived, reunited Germany haunts French thinking today just as it did in the uneasy period after World War I, and is playing upon that phobia. By threatening to build up a strong, and presumably menacing Reich across the Rhine, Russia hopes to be able to frighten France into closer collaboration with Moscow's program.

All of which is highly interesting and significant for several reasons. For one thing, it is not often that the French, who are no amateurs in the arts of diplomacy, are outmaneuvered in this manner, particularly by an opponent which uses every device known to French diplomacy. But still more important is that it shows something of what we may expect from Kremlin diplomacy. Devious, twisting, evasive, it will seek to accomplish its aims regardless of the means, and where one approach to a problem fails, it may be expected to use hook or crook to gain its ends.

With this in mind, we can better evaluate Russia's present and future tactics at the peace conference. Moscow continues to play her old game of obstruction, delay, and intransigeance. The most recent manifestation was her insistence upon a two-thirds' vote rule, which was promptly rejected by the rules committee. All of which merely continues her "hook or crook" policy; if she cannot win by one set of rules she will attempt to score by changing the rules of the game.

But it is interesting to note the effects which such obduracy is having upon the rest of the world, and particularly upon her erstwhile allies. When a patient man like Sec. Byrnes is pressed to the point of exasperation he recently displayed, it is a situation worth noting. Much the same feeling has been displayed by the British, who have also done their best to "understand" the Russians and meet them more than half way. So, the proposal for unifying the American-British-French occupation zones in Germany is significant in its timing, and is only further evidence of a stiffening attitude toward Moscow.

All of which makes one wonder what the Kremlin's next moves might be. If she fails to score diplomatic victories at the peace conference, there is the fear that she may (*Please turn to page* 608)

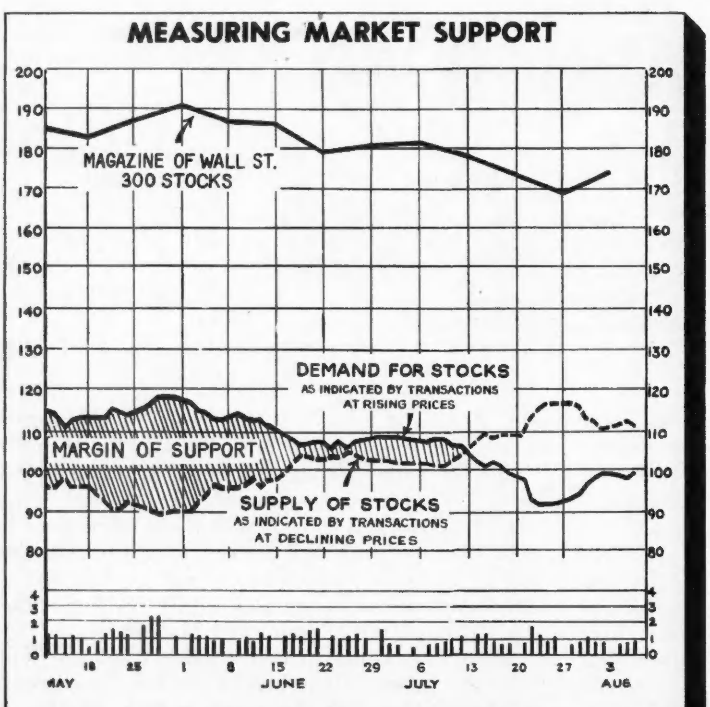
Market In Decisive Phase

The recent technical indications have been generally encouraging, even if not conclusively so. There is apparent promise of relative quiet on the labor front for some time. The earnings-dividend news will continue good. Stock and bond yield ratios are increasingly bullish. An upside test seems more likely than more reaction over the period just ahead.

By A. T. MILLER

There is not much action in the current stock market, and few people seem to expect anything of importance over the near term. The consensus of professional opinion is cautious, looking at best for a continued trading-range affair for the present, or until something happens to strengthen bullish psychology. A good many people are looking for a test of the recent reaction-lows, which were made on July 24. A generally skeptical view may, of course, prove correct; and we can not claim that there is conclusive evidence to refute it — but we think the recent market action has been encouraging, and that a test of upside possibilities is now more probable than further weakness.

This hopeful slant is based partly on the technical evidence, partly on the expectation of a reasonably cheerful news environment at least well into the autumn, partly on the thought that the ranks of the cautious seem over crowded.



In reviewing the recent technical indications it is necessary to revert first to the July break. The market, as you will recall, sold off sharply in the fourth week of July. The Dow-Jones industrial average definitely broke the May-June double bottom at about the 200 level. The rail average broke its February intermediate-reaction low by a small fraction. However, that poor chart performance did not induce cumulative pressure. Would-be sellers withdrew, unwilling to try to cash profits in a soft market. The industrials went just about 5 points under the 200 support level and then promptly rallied.

The Eight-Day Recovery

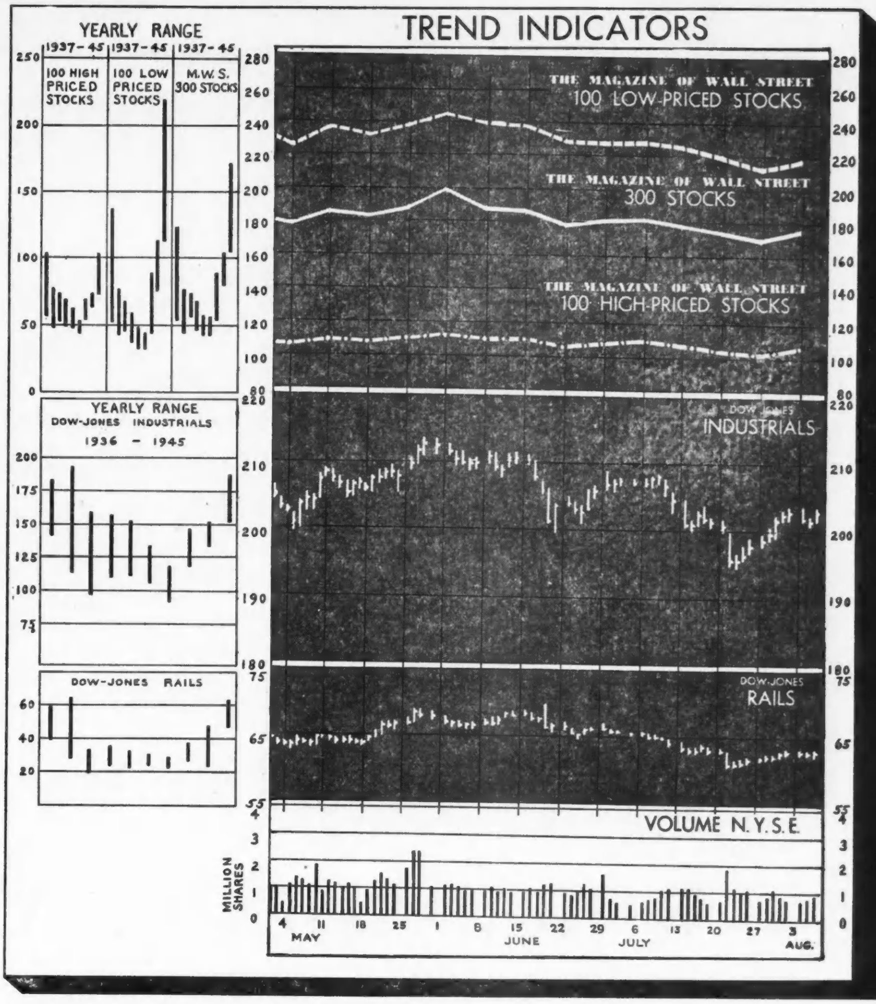
The extent of the first rally from the July 24 low, in points, was not at all unusual. However, on that move the industrials advanced for eight consecutive trading sessions, and that is out of the ordinary. In fact, it was the first uninterrupted eight-day rise this year to date. We can not say that this is a portent to tie to, but performances like that, on the record, are much more likely to be seen in an uptrend market than in a basically weak market or a "do-nothing" market.

Next, the eight-day rally was followed by a small and brief recession. It was accompanied by a tendency for volume to dwindle. The amount of ground given up was encouragingly slight; and after just two sessions of correction the list turned upward again, establishing new rally highs toward the end of last week. In this evidence there is nothing suggesting of a full recovery of investment and speculative confidence. The market up to this writing is feeling its way. It may continue lukewarm. But, on balance, the technical evidence seems hopeful. Our surmise is that the July 24 low is likely to stand for quite some time, and that the market is now once more in a zig-zag upward pattern.

We do not know how far this move

will carry. The possibility that it might prove to be no more than a trading-range wiggle must be conceded. There is not yet anything in the interpretation of the Market Support chart, on page 554 to back up the hopeful technical leanings to which we incline. The rally has scant help from the rails so far, and in the present rail earnings situation there is no plausible reason why it should. However, the apathy toward rails — public and professional —is so pronounced and unanimous that we would not be greatly surprised to see it confounded by an implausible rail rally—enough rally to lighten the rails' drag on the general list.

It must also be noted that our index of 100 low-price stocks is following the rally in better-grade stocks, not leading it. This is now an old story. Speculative confidence has yet to recover to the status held prior to the break of last February. There is no basis now for even a guess whether and when it will do so; but we do not put out of mind the possibility of another speculative whirl sooner or later on the premise — to which we still subscribe — that the bull market is not over, and that a bull market is unlikely to culminate on so subdued a speculative note as that sounded by the low-price index in recent months.

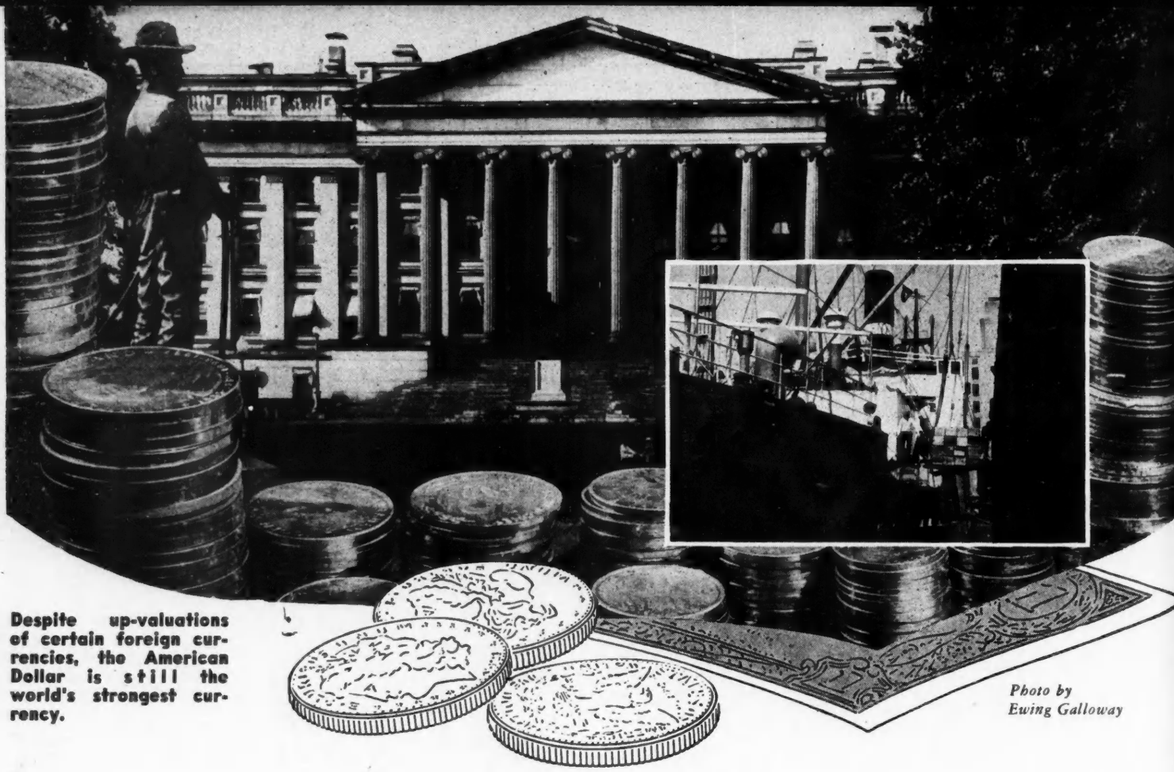


The Demand for Consumer-Goods Stocks

There has been a considerable body of opinion favorable to capital-goods stocks for the remainder of this bull market, holding them "behind the market," compared to consumer-goods stocks. This may yet work out. In fact, the steels, at least, held relatively well during the July reaction, and have done somewhat better than the general list on the rally to date. Nevertheless, the majority of groups showing above-average rise over the last fortnight are in the consumer-goods sector of the economy. There are two reasons for that. First, most of them —with the notable exception of liquors and oils— suffered severe reactions, setting up a pretty solid technical spring board for a period of better action. Second, the OPA is back in business. Under OPA, despite some loosening up in general price policy, it is to be expected that consumer-goods lines, by and large, will fare better than most capital goods lines.

We have said we look for a cheerful news environment for the period just ahead. How so? Well, serious disturbance on the labor front now seems unlikely before later in the year, at worst. The reasons are political. Also economic. (The boys seem tired of sacrificing pay in protracted strikes carried on for the intra-union and inter-union "prestige" of their leaders). Next, earnings and dividends are rising. The former, in the second half, are likely to top year-ago figures by somewhere around 20%. We estimate the rate of aggregate dividends now (on a monthly basis) at around 15% over a year ago. Year-end payments seem certain to be the fattest in a long time. True, earnings-dividends are good at the top of every bull market, but the prospective ratio of stock yields to bond yields over the rest of this year is bound to be generally bullish, whereas it was bearish at the tops in 1929 and 1937 — that is, bonds then yielded either more than, or about the same as, common stocks. They now yield nearly 50% less than representative industrials; and that is a fundamental.

But whether new highs come fairly soon or later, there is no change in our selectively-bullish view of the longer-term trend.—Monday, August 12.



Despite up-valuations of certain foreign currencies, the American Dollar is still the world's strongest currency.

Photo by Ewing Galloway

Depreciation Of The American Dollar

AND

WORLD TRADE ASPECTS

By V. L. HOROTH

BEFORE PLUNGING INTO a discussion of the depreciation of the dollar in relation to world trade, it may be well to emphasize—as was already done in our last issue—that the action of Canada and Sweden in arbitrarily raising the value of their respective currencies is no indication whatsoever of any weakness of the dollar, as some people here and abroad hastly concluded. Far from it. The dollar is still as good as gold; it is still, and will continue to be, the world's most eagerly sought after payment medium. Nevertheless, the up-valuation of the Canadian dollar and the Swedish krona may be taken as a warning that we, as the wealthiest nation and as the leader on the road to postwar recovery, cannot set free inflationary forces or tamper with the dollar without provoking currency disorders, bringing about trade dislocations, and retarding world reconstruction in general.

It is true that the purchasing power of the dollar in terms of commodities and services is less than it was in 1939 and considerably less than in the worst depression year, 1932. But it is also true that the 1946 dollar buys more than the 1919 dollar and, in fact, almost as much as the dollar used to buy throughout the 'Twenties. Moreover, in relation to 1939, the purchasing power of the dollar has declined relatively less than that of the currencies of other countries (with the exception of Australia and Venezuela.)

Second, the Canadian and Swedish revalorization must be regarded as an exception. The integration of Canadian and United States economies make the parity of their currencies desirable, and the Dominion's action amounted in fact, to a step toward the re-establishment of prewar trade and financial relations. Sweden, a half socialist and half capitalist country, has always been inclined to experiment with currency management for the sake of "internal stability." Saying that the purpose of the up-valuation in either of the two countries was to pay less for American or other imports during the war-to-peace transition period is not telling the whole truth. The move was motivated also by the fear that the rising prices in the United States would drain goods of domestic markets in Canada and Sweden and thereby lead to inflation there. The London Statist has recently suggested an explanation of why after the Second World War, countries

are likely to resort to up-valuation of their currencies, rather than to devaluation, as after the First World War. It writes:

> "On the world market, the situation at the end of the second world war was exactly the reverse of that at the end of the first world war. In 1919, the machinery of production, everywhere in Europe, was almost intact. Output of many industries was even greater than in 1914. Millions of men being demobilized needed jobs. To stimulate export, many countries resorted to currency devaluation. At the end of the second world war, production was seriously impaired by widespread devastation. Ravenous hunger for utility products was world-wide. *Inland* (internal) *prices being controlled, producers prefer to export.* That makes scarcity of supplies chronic. How to conserve supplies for home needs and *check drainage from export* is a cardinal problem. What is needed is a measure that will raise the prices to the foreign buyer but keep prices steady to the home consumer. That is exactly what currency revalorization does."

Third, unless we are faced with a runaway rise in prices in this country, it is doubtful that the Canadian and Swedish example will be emulated by many other countries, especially now that the OPA has been revived for another year.

The countries which would benefit at present from up-valuation — by either getting their imports cheaper or protecting their domestic market from being drained for export—are really few: Australia, Venezuela, South Africa, New Zealand and possibly, if the price rise here is steep, Great Britain, Switzerland, and Belgium.

Fourth, the benefits of up-valuation are bound to be only temporary, just as the benefits of devaluation have always been. Canada and Sweden will be able to obtain our coal, petroleum, cotton, and all kinds of machinery and transportation equipment for fewer Canadian dollars or Swedish kronor than otherwise would have been the case. But after a while—when goods are more readily available and competition reappears—Canada and Sweden are likely to get fewer dollars and other currencies, because their products will be more difficult to sell. In other words, they will be up against the problem of preventing the shrinkage of their resources of foreign exchange and gold.

What kind of trade shifts are likely to be caused by currency up-valuation? In the first place, our exports should benefit (a) from the increased demand of Sweden and Canada for our exports, and (b) from the increased demand for our goods from the countries that would have normally bought these goods from Canada or Sweden —as Latin American countries have been doing. The fact that Canada's and Sweden's prices will be higher will, on one hand, (a) encourage outside countries to sell their goods to them, and, on the other hand, (b) discourage our buying from Canada and Sweden.

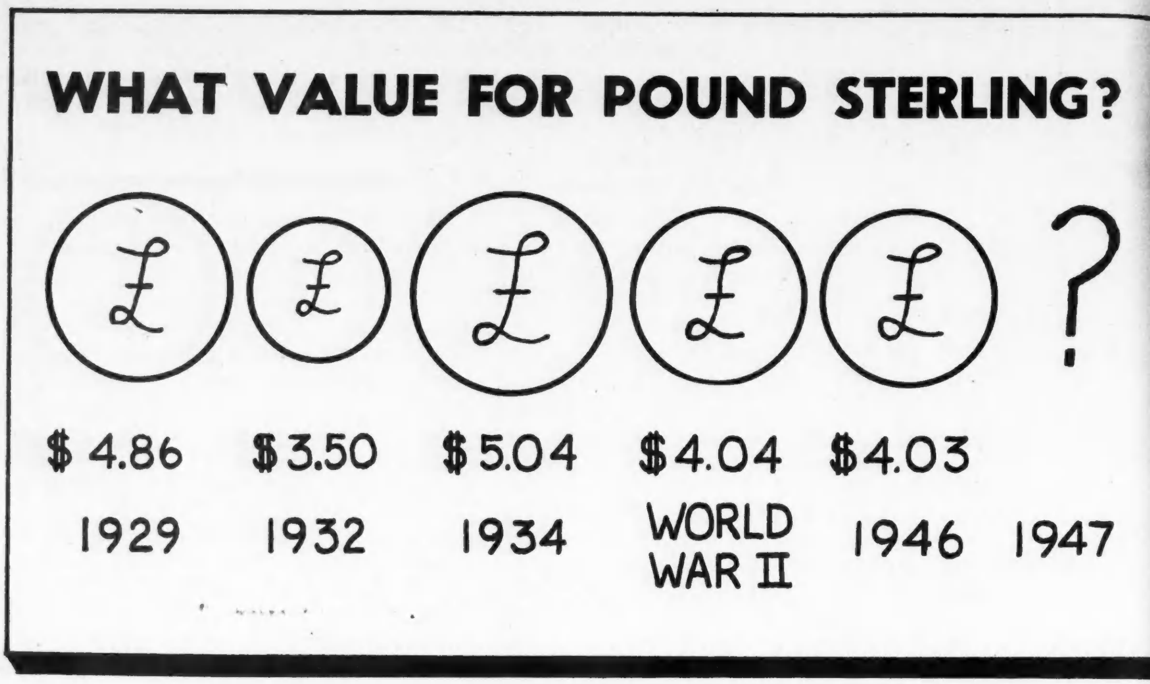
Stabilization or Currency Management

Provided that the currency up-valuation moves are limited to Canada and Sweden, their effect on our trade or on world trade will probably be hardly noticeable. Canadian purchases here run at the annual rate of about $1,100 million and Swedish imports from us will be around $160 million in 1946. But currency up-valuation could become serious if it was widespread. It would lead to increased competition for the available goods here and hence *would have an inflationary effect.* "The depreciation of the dollar" in terms of international currencies would probably also lead to a flight of nervous or "hot" money, domestic and foreign, away from the United States, and one would probably see the dollar quoted at a considerable discount in the leading world currency black markets, Brussels and Zurich.

Another serious objection to up-valuation or devaluation is that the countries practicing it are showing themselves *believers in and supporters of currency management* which requires elaborate controls over international transactions. This they are doing at a time when they should be concerned with the stabilization of their currencies and the doing-away with foreign exchange controls. Many countries have been and will be tempted to manipulate the parity of their currencies to gain temporary advantages. The Americans hope that this practice will be stopped when the International Monetary Fund begins to operate (possibly this Fall) and when any change in the par value of currencies will have to be thrashed out before hand with the International Monetary Fund authorities. On the other hand, as the British interpret the Fund's policies and operations, the maintenance of balance in a

Depreciation of the dollar in terms of Canadian and Swedish currencies is merely a mild type of inflation. An extreme case is illustrated by this 10,000,000 pengoe note issued by the Hungarian Government. Two of these notes are equal to one United States dollar.

Photo by Authenticated News



country's international receipts and payments will depend in the future *far more on the adjustments of exchange rates than on the adjustments of international prices and costs.* In this connection one may remark that it may not always be easy to distinguish between a change in exchange relationship dictated by the necessity of "establishing international equilibrium", and one that is motivated simply by the desire to beat the gun by up-valuing the currency and buying abroad more cheaply one year, and by devaluing and thus encouraging exports the next year.

Foreign Loans Inflationary

The Canadian and Swedish up-valuation have been in the nature of a reminder that our interna tional position carries certain responsibilities and that, after all, the dollar is not as invulnerable as we were led to believe. Meanwhile, the ratification of the British loan and the granting by the Export-Import Bank of a long list of loans which have exhausted some four-fifths of its lending capacity, have provided the foreign nations with more dollars for the purchases of our goods than they can possibly spend without competing with the American consumer. The effect of all these loans is far more inflationary as regards the competition for the available goods in the American market, than the lowering of the price of the dollar by Canada and Sweden. It is safe to say that between the loans and the dollar balances accumulated here during the war, the purchasing power of foreign countries for *American goods has never been higher.* Never before, with German, Japanese and most French and Belgian competition eliminated, *have the American exporters had so free a hand in foreign markets.*

The plain fact is that our exports are booming. On the basis of the first five month figures for 1946 commercial exports (other than lend-lease or **UNRRA shipments) are approaching the annual** rate of about $7 billion. Before the war, these exports averaged about $3¼ billion. According to the Secretary of Commerce, our total exports (including UNRRA shipments and the remaining lend-lease), our sales of surplus property abroad, our motion picture royalties, and our income from foreign investments and shipping will total between $14.5 and $15 billion in 1946. On the other hand our payments for goods and services purchased from foreigners is expected to total only about $7 billion. The difference of $7.5—$8 billion will have to be financed by loans or given away in contributions and gifts, or paid from the gold and dollar balances of foreigners.

Export Curb Sought

The reason for quoting Mr. Wallace's figures is to show how great the foreign demand for our goods and services is. The danger is that, in certain lines perhaps too many goods (or services) are being sold abroad for the good of the domestic consumer. For this reason, the Civilian Production Administration has been recommending the freezing of all exports to the average level of the first half of 1946. The exporters are naturally oposing this suggestion on the ground that it would be difficult to enforce, that we would lose ground gained during the war, and that is it is contrary to the avowed policy of the U. S. Government to ease trade restrictions.

In the past, the American people and the people of other nations—have been taught that it is for the well-being of a country to encourage exports and to discourage or regulate (*Continued on page* 608)

A New Era Of...

CORPORATE MERGERS?

By H. S. COFFIN

IS IT POSSIBLE FOR US to have another era of "big business" combinations such as characterized the great industrial expansion of the 1920's? Remembering the headaches of the depression and the ensuing condemnation of giant corporations, one's first impulse might be one of skepticism. The possibility of a recurrence is becoming increasingly evident, however, as new personalities come on the scene.

Numerous legal barriers have been erected to retard growth of monopolistic practices and formation of combinations in restraint of trade, but the fundamental inducements remain persuasive. Public opinion has been educated to regard bigness with suspicion and to believe selfishness and greed for power motivate corporate policies. In face of these restraints, however, many reasons may be discerned for anticipating a revival of merger plans. Chief among these influences are:

(1) Serious restrictions on new construction, including shortages of materials and unprecedented labor costs.

(2) Wartime shifts in industrial populations, which resulted in establishment of new manufacturing centers at interior points, such as in the Southwest.

(3) Burdensome tax rates on current income, tending to induce individuals to accept long term capital gains subject to more moderate tax levies, thus encouraging sales of properties.

(4) Changes in demand for products, such as in the aircraft industry, tending to encourage consolidations in the interest of manufacturing economies.

(5) Enlarged consumer markets presenting opportunities for larger concerns to compete with established leaders.

(6) Great abundance of capital available for entreprenurial risks in promoting and marketing to the public newly formed corporations.

Magnitude of Mergers

Although there have been scores of comparatively small consolidations, thus far there have been few of first magnitude. Examples in this category would include the pending billion dollar amalgamation of Chesapeake & Ohio Railway and Pere Marquette Railway now awaiting approval of the Interstate Commerce Commission and the recently completed merger of First Boston Corporation with Mellon Securities Corporation.

If the Chesapeake & Ohio acquisition of Pere Marquette is consummated, steps may be taken to bring New York, Chicago & St. Louis (Nickel Plate) and Wheeling and Lake Erie Railway into the picture. Such a grouping has been proposed, but thus far terms satisfactory to the Nickel Plate stockholders have not been advanced. Robert R. Young, dynamic chairman of C. & O., and his associates are known to have ambitious expansion plans in view and they may stimulate developments in other sections.

Another railroad merger is in the making, namely, the absorption by Kansas City Southern of its wholly owned Louisiana & Arkansas Railway subsidiary. The unification plan was formally approved five or six years ago and operations gradually are being consolidated.

Chain Stores Expand

The trend toward larger units is particularly noticeable at the moment in the department store field. With construction costs relatively high and building materials scarce, merchandising organizations find it difficult to enlarge activities except through established outlets. Most of the large retail chains are aggressively searching for independent stores that may be purchased on reasonable terms. The latest merger in this field to attract attention was the linking of Kaufmann Department Stores with May Department Stores Co., by means of which the latter gained entrance into the Pittsburgh area.

Other concerns preparing for expansion include R. H. Macy & Co., which has acquired sites for new stores in and around New York City and has purchased through subsidiaries additional outlets in the Middle West and in the South; Federated Department Stores, which has set up a special depart-

ment in its organization to search for desirable locations; Allied Stores, which contemplates enlargement of its distribution facilities for household appliances; and Spiegel, Inc., which has been acquiring additional stores from time to time.

Mergers in Place of Plant Expansion

Logical industries in which to look for new alignments include those which mushroomed during the war—such as electronics, aircraft manufacture, shipbuilding, etc. Numerous representatives of the aircraft industry have been mentioned as candidates for mergers, including Curtiss Wright Corp., Beech Aircraft, Lockheed and several smaller concerns, but thus far little has developed along this line.

In the field of electronics, however, some small combinations have been effected. As an example, Raytheon Manufacturing recently took under its wing Submarine Signal Co., which apparently needed an aggressive management such as Raytheon possessed, while the latter found use for the signal company's plant facilities. Another recent consolidation was that of Colonial Radio with Sylvania Electric Products, manufacturers of radio tubes, fluorescent lighting fixtures, etc.

Need for additional manufacturing space and equipment accounts for the proposed acquisition by Noma Electric Corporation of Pollak Manufacturing Co., on which stockholders are being asked to take action later in the month. Explaining reasons for the merger, Henri Sadacca, president of Noma, said acquisition of Pollak's plants would make unnecessary substantial expenditures previously contemplated for enlarging Noma's capacity. The latter has grown rapidly in recent years, partly as a result of working on government contracts.

Mergers and talk of mergers obviously may have considerable bearing on prices of stocks of companies involved. Thus in the last ten or twenty years the automobile industry has been a prolific source of potential amalgamations. Reports of suppositional combinations almost always attract widespread attention, possibly because the public remembers how General Motors Corporation and Chrysler Corporation were formed as a result of consolidation of numerous independent manufacturers. When Henry Kaiser and J. W. Frazer joined hands to venture into passenger car production with their Kaiser-Frazer Corporation, it was only natural that Graham Paige Motors, of which Mr. Frazer is chairman, was mentioned as a likely unit for inclusion in a larger automotive organization that would involve small independent parts makers.

The time seems hardly ripe for growth of another organization to compete with the "Big Three" on equal terms. This is because a huge deferred demand for new motor cars tempts independents to stay in business in the hope that they can capture a greater than normal share of available business while the large companies are handicapped in getting into full production. When competition becomes intense in the years ahead, however, it would not be surprising to hear the usual stories of negotiations for a combination of independents. Some observers think the Kaiser-Frazer concern may be a logical contender for leadership if it still holds the public fancy and operations are successful.

Until Messrs. Kaiser and Frazer recently sponsored formation of the Portsmouth Steel Corporation to acquire from Wheeling Steel one of its older units at Portsmouth, Ohio, reports had linked the former shipbuilding genius with a projected steel merger. Republic Steel and the government owned Geneva Steel Works in Utah were mentioned as possible units in the combine. Nothing ever developed along this line, however, and the Geneva properties recently were disposed of by the War Assets Administration to a United States Steel subsidiary.

Incidentally, U. S. Steel is proceeding with a well rounded program of expansion. Taking over the $200 million Geneva properties for $47.5 million is only one step. Details have been completed for acquisition from the War Assets Administration of $120 million of steel plants near Pittsburgh for about $65 million. Modernization of its facilities is expected to strengthen the Corporation's competitive position.

Another representative of the industry, Barium Steel, recently arranged for acquisition of additional units in Maryland and in Pennsylvania in line with an expansion which has been under way for several years and has involved several small independents.

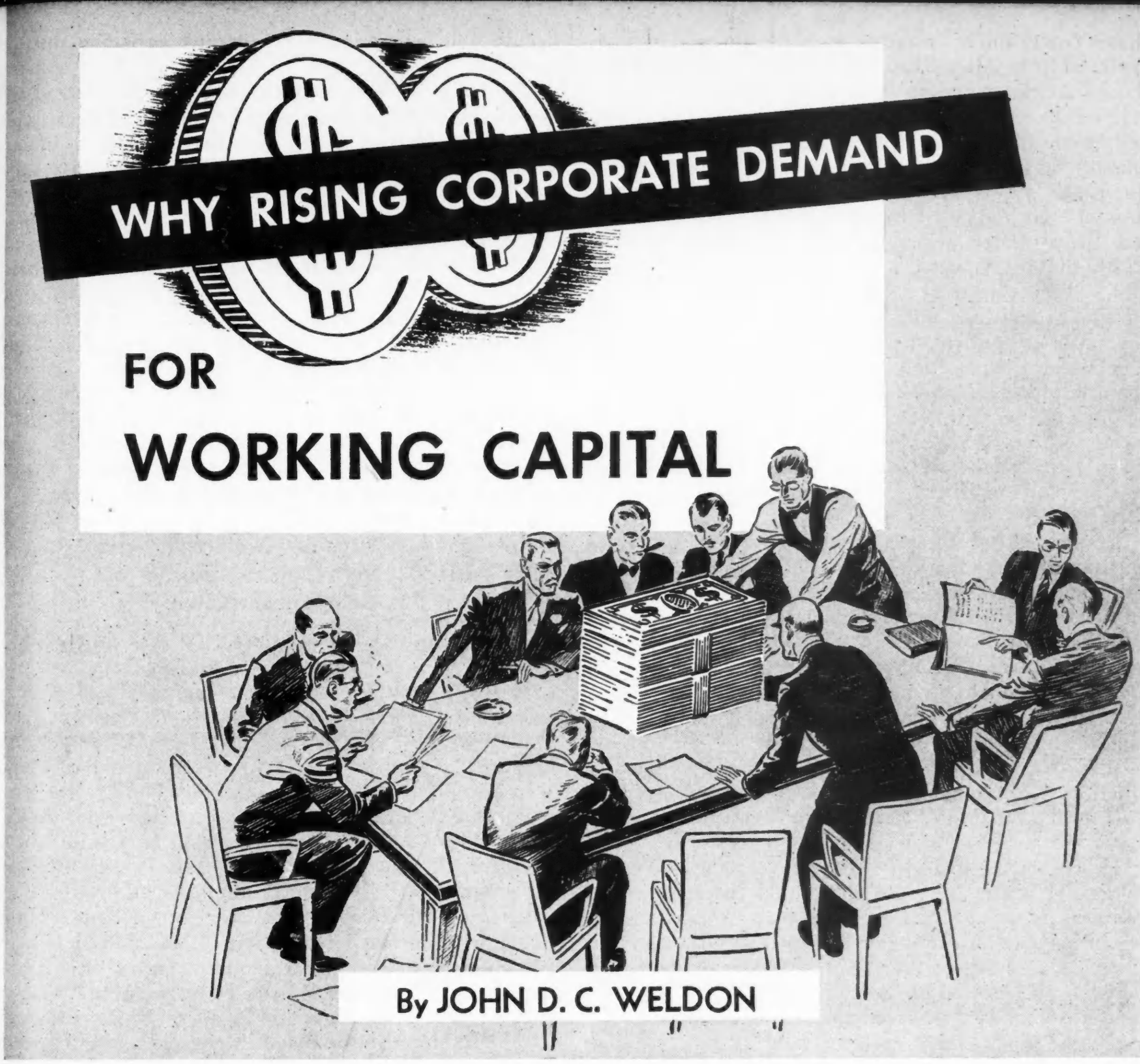
Textile Integration

In the textile industry, vertical integration has been gaining headway for some time. This has brought about combinations of mills, fabricating facilities and marketing organizations. Textron, Inc., has been one of the outstanding growth companies in this field. United Merchants & Manufacturers has absorbed mills and distribution facilities. American Viscose Corporation recently completed arrangements for acquiring Sylvania Industrial Corporation's business consisting chiefly of cellophane wrapping material and cellulose casings for meat and other products.

The bright outlook for petroleum and provisions of the present tax law account for a broad interest in small independent oil producers. While high excess profits taxes were applicable many companies found it profitable to use funds that otherwise would go for taxes to pick up small oil companies as a speculation. This interest spurred large integrated companies to join the competition, and several independents have been mentioned frequently as possible candidates for acquisition by nationally known organizations. Among those linked in merger reports were Texas Pacific Coal & Oil Co., and Texon Oil and Land Co. Another producing unit recently absorbed in a larger organization was Transwestern Oil, taken over by Sunray Oil.

Air transportation some day should prove a logical course for corporate consolidations. This rapidly expanding industry is attracting new companies which eventually may have to be taken over by stronger and older. (*Please turn to page* 608)

WHY RISING CORPORATE DEMAND FOR WORKING CAPITAL



By JOHN D. C. WELDON

PRESENT-DAY CORPORATE FINANCE displays a paradox in that, although industry has emerged from the war in the strongest financial condition in history, working capital requirements have become pressing. Assets were so fortified by wartime corporate policy of retaining a good part of earnings in the form of generous depreciation, amortization and contingency reserves, that Ganson Purcell, former chairman of the Securities and Exchange Commission, remarked last November that large companies would have little need to resort to outside financing. Yet, industry has a working capital deficiency, already reflected in rising demand for bank credit to near-peak levels and in the largest volume of new bond issues since 1936 and of new stock issues since 1930. Nor do such capital wants manifest signs of abating.

Several developments have drawn down reserves to the point where additional funds were sought in the money and capital markets. To begin with, reconversion of plants to civilian production after the war, replacement of wornout equipment, and expansion of capacity to fill anticipated large peacetime demand necessitated increasing business capital expenditures. These outlays are indicated in the chart which portrays actual business expenditures on new plant and equipment for 1945 and anticipated expenditures for the first two quarters of 1946. Expenditures for such purposes more than doubled from the first to the last quarter of 1945, mirroring outlays for change-overs from war to civilian goods output. The machinery and automotive industries, for example, in which reconversion from war to peace usage was radical, expenses for new equipment and rehabilitation of plant exceeded those for 1937, a peak year of business expansion. Expenditures in the first quarter of 1946 are estimated to be but slightly higher than those in the last quarter of 1945, but a sharper rise is estimated for the second quarter of the year. Manufacturing and mining expenditures have and will have comprised the bulk of the total in all quarters.

Another factor stimulating business expenses of late are the opportunities afforded industry to pur-

chase Government surplus war plants and equipment. Up to May 31, 1946, according to the War Assets Administration, surplus war plants and sites originally costing $732,000,000 have been sold for $332,000,000. Surplus plants already sold or leased amount to about 12%, figured on original cost, of the 1,540 plants, costing $11,200,000,000, that ultimately are expected to be declared surplus. United States Steel Corporation's purchases of the $200,000,000 Geneva steel works and the $120,000,000 Government-owned steel plants in Duquesne, Homestead and Braddock, Pennsylvania are the most prominent instance of such acquisitions. The Steel Corporation is paying $77,490,375 for these facilities, the price of the Geneva works alone being $47,000,000, with final cost of the property estimated at $91,000,000. Further business outlays for purchase of surplus plant and equipment may be expected in view of the enormous amounts of such facilities yet to be sold.

Besides expenditures for reconversion purposes and purchase of surplus plant and equipment, accumulation of inventories for civilian goods production and the rise in the general price level have imposed additional drains on reserves. Though total business inventories at the end of April, 1946 were estimated by the Department of Commerce to be 5% less than just before V-E Day, inventories of nondurable goods industries and of wholesalers seemed to have enlarged by a greater relative amount. Department store stocks were 25% higher at the end of May than at the beginning of the year, but they were low in relation to sales volume.

However, the urge to garner inventories is bound to gather force. Manufacturers, wholesalers, and retailers may, as in 1919, engage in an inventory-accumulation race in order to insure production and sales. Hoarding of merchandise and raw materials may be accelerated in anticipation of the sharpest rise in commodity prices since August, 1939. Later stages of the business cycle marked by rising industrial production usually have stimulated laying-up of inventories, and similar incentives will exist this year as physical output rolls upward. Such incentives will be especially strong this time owing to the current low inventory positions compared to volume of business.

Larger Working Capital Needs

Higher wages and prices also will entail needs for working capital. A larger amount of capital will be required to carry larger payrolls due both to a rise in wage rates and to a growing labor force as output expands, and a given amount of stocks of raw materials, semi-finished and finished goods at higher prices. The likelihood, therefore, is that heavier inventories in the future will be accompanied by greater expenses incurred in their purchase. Increased costs, too, will raise expenditures for plant overhauling and replacement of equipment. U. S. Steel's authorizations for new construction were raised from $232,000,000 on March 31st to $297,000,000 on June 30th, due in part to re-estimation of higher labor and materials costs in building the new facilities. All these cost factors will be most keenly felt when industry attains capacity operations.

The table reveals that the war period enabled all nonfinancial corporations as well as the fifteen representative leading companies in varied lines of industry to build up working capital much above prewar years. Working capital of all nonfinancial corporations more than doubled from 1939 to 1945, the increase being explained by retained profits and by tax refunds on diminished income in the last half of 1945. Working capital positions were featured by exceptional liquidity, cash and U. S. Government securities amounting to nearly 84% of the total compared to a little over 53% in 1939. Cash on hand had risen from $10.9 billion in 1939 to $22.5 billion in 1945, and U. S. Government securities had increased from $2.2 billion to $21.1 billion in the same period. Hence, on the basis of readily available liquid funds, corporations seemed to be in a position to assume any or most expenditures that might have arisen without undue recourse to outside sources of money.

Comparisons Cited

It is interesting to observe that working capital of the fifteen big companies listed in the table rose only 66% against the 112% increase for all corporations. This difference is to be explained by the far greater rise in working capital of companies engaged in war work and whose reconversion problems promised to be more difficult. To cite the case of United Aircraft: working capital enlarged 490% from 1939 to 1945; since this company and others in aircraft manufacturing deemed it advisable to lay away relatively greater amounts of profits so as to cushion the effects of the enormous decline in production following termination of war. Depletion of working capital in the automobile industry is illustrated in the decrease shown by General Motors from $903.4 million in 1944 to $775.2 million in 1945, due to costs involved in change-over from war to peace output. On the other hand, Loew's, which had no reconversion problem whatever, recorded an above-average rise of 79% in working capital from 1939 to 1945 and a 31% increase from 1944 to 1945.

Strikes Deplete Working Capital

During the first half of 1946 strikes took a further toll of reserves. Had it not been for drawing upon wartime reserves, such companies as U. S. Steel and General Motors would have shown deficits so far this year. The steel strike in the first quarter and the coal strike in the second quarter cost the Steel Corporation more than $46,000,000. In the two quarters the company siphoned off $28,299,808 of reserves in order to pad earnings. Moreover, capital expenditures of $31,000,000 in the second half further diminished working capital. General Motors was in the same position, having transferred $21,132,923 from postwar contingency reserves to income for the first half of the year. These reserve transfers plus expenditures for plant improvement and rehabilitation and costs of strikes in the first quarter depleted the company's working capital

from $775,229,420 at the end of December, 1945 to $522,166,866 on June 30, 1946.

In consequence of widespread drawing down of reserves and decreased working capital positions, corporations have been compelled to resort to outside financing to a degree not dreamed of last year. One reflection of this trend has been a sharp rise in bank loans to industry. Commercial loans of all reporting Federal Reserve Member Banks jumped from $5,926,000,000 on August 1, 1945 to $8,018,000,000 on July 31, 1946, or a 35% increase over the year. Business loans soon, if not already, may surpass the 1929 peak. The rise in commercial loans has occurred at a period of curtailed production because of strikes; therefore, when output really gets into stride, bank loans bid fair to enlarge at an accelerated pace.

A growing development in borrowing has been a recourse to medium and long term bank loans, that is, from five to ten years duration. Such loans have found favor with corporations by reason of their greater flexibility in repayment than is the case with bond or preferred stock issues and their low rates of interest. Winthrop W. Aldrich, chairman of the Chase National Bank, disclosed at the last stockholders' meeting that the bulk of the borrowing demanded by the bank's customers will be in the form of term loans. Large corporations have been the main seekers of term loan borrowing, and credit extended in this form has run up to $50,000,000 in individual cases at interest charges as low as 1½%. Borg-Warner Corporation is the latest example of a term-loan borrower, having arranged on July 31 for a ten-year $30,000,000 revolving credit at 1½% interest for the first two years and at 1¾% thereafter. C. S. Davis, president of the company, stated that the credit should assure ample additional working capital if needed when plant rehabilitation and expansion programs are completed.

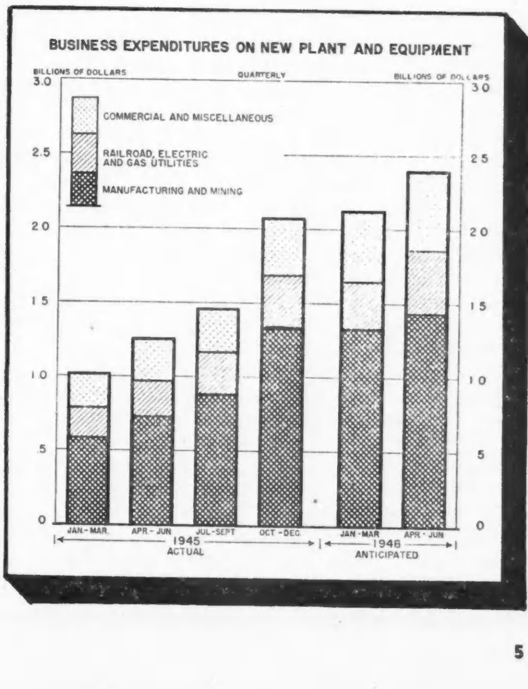
Need for New Financing

The signal drop in General Motor's working capital this year impelled the company to negotiate the first long-term borrowing in its history. This took the form of a $125,000,000 note issue sold to a group of insurance companies, and will be in two series maturing in twenty and thirty years each. Few issues in the capital market have been as large as this, and it marks the first private deal of this size for new money purposes. Proceeds of the note issue will be used to provide additional funds for plant expenditures and working capital in order that the company can expand output to meet the anticipated demand for its products.

Urgent operating capital needs also have generated the heaviest outpouring of new capital stock issues since the halcyon days of 1929. Bond issues in the first seven months of 1946 amounting to $2,697,866,000 in 232 new bond issues were the largest for the period since 1936 when $3,204,614,000 in 429 issues were offered; and stock flotations in January-July, 1946, totalling $534,744,390 in 123 new stock issues were the heaviest since the similar period of 1930 when $636,215,000 in 75 new issues reached the market. Proceeds from new capital bond and stock issues are to be used primarily for plant improvement and expansion. Besides the General Motors note issue, the largest single new money financing to go into registration since the war was American Telephone and Telegraph Company's sale of $125,000,000 of 40 year debentures.

Just now the capital market is undergoing a time of "indigestion" because the flood of issues has produced a temporary saturation of investor buying power. However, more than 100 security issues are in registration with the Securities and Exchange Commission, and omission of these await easing of the congestion in the capital market. Although sizable flotations by large corporations have dominated the dollar volume of security sales following termination of the conflict, a growing number of issues floated by small and medium-sized companies have featured the capital market in recent months. Smaller firms are especially in need of working capital; as they lack the well-entrenched financial positions of large, established corporations. On the basis of trends in the past few months one may predict a rising proportion of stock to bond issues, and increased security offerings by war-hatched companies.

It should not be imagined that growing working capital requirements betray a serious weakening of corporate ability to stay solvent or the assumption of indebtedness out of proportion to expected volume of business. This may be the case for new small companies which may find competition with older firms too tough for survival. Large corporations, however, still are in a strong financial condition. This can be illustrated pointedly by General Motors which has lost 42% of its working capital from the 1944 peak to June 30, 1946. In 1941, the last prewar peak of business, net sales amounted to $2.44 billion and working capital stood at $500 million. If sales equal or some- (*Please turn to page* 608)



Happening in Washington

Photo by Cushing

By E. K. T.

FEDERAL TRADE COMMISSION is going to do more "education-wise" work, rather than bearing down on prosecutions, under a stem-winding reorganization now in the works. The re-hash will include a scrapping of the present attitude toward alleged unfair trade practices and a "New Deal" for what has been termed one of the most hidebound, slow-moving and ineffectual agencies in Washington. In the past, FTC has spent some 58 per cent of its budget on prosecution of cases, and only about 2 per cent for educational purposes. Commissioner Lowell B. Mason, who is doing the overhauling, wants to equalize the ratio. Another new angle: FTC will not have to wait until it gets a complaint on unfair trade practices before it acts (under the Mason plan.) Complaints are ineffective, it is pointed out, because they require more than two years, on the average to investigate. Mason, who has support of the White House, would send FTC investigators into one industry all at once, eliminate its bad trade practices, then move on to another.

WASHINGTON SEES:

The long-perpetuated discussion as to who owns the tidelands—the United States or the states themselves—seems likely to continue for as many years as it already has. The oil industry lobby, naturally, seeks White House approval of the tidelands oil bill, passed in the last days of the session. The bill would declare that the states have control over the lands, much of their acreage known to be oil bearing.

However, it seems unlikely that the President will enact the measure into law.

The whole history of the tideland oil issue has been one of circumvention and evasion. The oil companies sought to have power vested in the states; Secretary Ickes instituted legal proceedings to determine if there is any valid federal claim to the oil; when he did, the attorney general of California at once tried to evade a court test by having Congress renounce a title which he insists it does not possess.

There is still pending before the courts a case which would determine whether the states or the federal government have title to this land and the oil underlying it. It is the feeling among Washington officialdom—and reflected in editorial expressions in newspapers and magazines throughout the country—that the issue is judicial rather than political; that the courts rather than the Congress should determine the ownership of the lands.

No matter how the discussion is resolved—and it's a good wager that it won't be resolved for some time to come—a greater problem hinges upon it than the determination of the ownership of the tidelands themselves:

CLOTHING PRICES will jump to unheard of "highs" within a few weeks, retail clothiers' representatives here predict. Just how high they will go, and when, depends on the OPA's action on cotton fabrics. Cotton is the basis for 65 to 70 per cent of all clothing items. Industry and OPA officials have been working all this week on the new ceilings, and while nothing has been announced as yet, industry spokesmen said that cotton manufacturers expect at least a 15 to 20 per cent boost for cotton fabrics over June 30 price levels.

SEVEN INDUSTRIAL STATES will be the focal point in determining whether the Democrats retain or the Republicans regain control of the House of Representatives. They are, of course, Connecticut, Illinois, Massachusetts, New York, Ohio, Pennsylvania, and Missouri. At the present time, these states have 67 Democrats and 91 Republicans in Congress, and it is in these that the Republican National Congressional Committee is concentrating its fire. Political observers look for little change in the division of House seats in the other 41 states on the basis of primary returns and other indications.

GOAL FOR HOUSING construction under the Wyatt Housing Plan will be reduced to about 1,000,000 units this year from the 1,200,000 originally planned (and in most quarters there is serious doubt if even the reduced goal will be approximated.)

AS WE GO TO PRESS

General Motors Production of Passenger Cars in the United States for the past week rose more than 1600 units above the preceding week, despite a slight increase in the total number of supplier strikes. Improved production in this country results from the fact that many of the recent supplier strikes are affecting GM's Canadian Divisions only, while the strike situation in this country is improving.

THE FIRST FOOD REPORT of the director general of the Food and Agriculture Organization of the United States declares that the "continuing world food emergency has given an unexpected turn to the work of the FAO." FAO was drawn into the business to meet the early food crisis, in a period which normally would have been devoted almost wholly to building staff and otherwise laying the foundations of long range research, educational and advisory services.

Although FAO draws its responsibilities in the fields of food and agriculture directly from adherence of its member governments, its constitution provides for close relationship with the United Nations; and it is expected to take its place as one of the specialized agencies associated in the Social and Economic Council.

WITH OPA BACK ON THE STATUTE BOOKS, plans for further premium payments to producers of building materials have been unveiled by Housing Expediter Wyatt. The regulations Wyatt has in mind (as well as those he has promulgated), affect minor segments of industry — northern and southern hardwood flooring, radiators, cast-iron soil pipe, and the like — but the failure of Congress to pass the Wagner-Ellender-Taft measure for a long-time housing program piques the planners no little.

STILL ON THE SUBJECT OF HOUSING, Congress has been asked to create a bi-partisan joint committee to investigate the failure of the Veterans Emergency Housing Program to provide homes. The request came from the Legislative Service of the Veterans of Foreign Wars.

The manpower shortage in the heavy industries has some manufacturers in a tizzy. Women workers who did an outstanding, or even creditable job in wartime are being screened out of the lists of employees, and may be asked to return.

IT will be November before heavy magazine stock and other coated papers will be available.

Failure of the Senate to pass the federal "pay raise" bill for old-age pensioners will mean its reintroduction in the next Congress.

Most veterans, whether they planted the flag on Suribachi or spent the war at a Washington desk, are watching the changing hues of Congress and its bids for the veterans' vote. In the House, the November elections will tell the tale, and it is a forgone conclusion that there will be many World War II veterans elected. After the 1948 elections, to coin a phrase, "anything can happen" and it probably will. At least half the veterans are cognizant of the disastrous effect that a bonus, or even the bits of veterans legislation already enacted, will have on the entire economy (and the half mentioned are among the taxpaying brackets), but they realize that they are powerless to stop it in the face of a concerted drive by the veterans' organizations. The general feeling among the individuals is that they are "agin" it, but if it's passed they'll take it.

October 15 is the date set for the beginning of negotiations looking to reduction of trade barriers. The conference will be held in London under auspices of the United Nations, including Britain, Russia, France, and Netherlands, and the United States. Just who the representatives of these countries will be, and of what hue, remains to be seen. A general conference to promote freer trade, with all U.N. members invited, will be held later, using an agenda drawn up at at the earlier conference.

One of the most persistent cases in Congressional history is the Garsson case, involving not only Chairman May of the House Military Affairs Committee but many high-ranking Army officers and officials of even higher standing. Because of these widespread ramifications, the Mead committee (which started the whole business) will have a harder time closing up its probe than anyone can imagine (except Senator Mead). The charge by Mr. May (who lives in a glass house, to say the least) that Mr. Mead is only using his investigatorial powers as a springboard to the New York governorship, is not without basis, in the opinion of 98 per cent of Washington newspapermen and other observers. But, say many cynics and doubting Thomases, Mr. Mead may now have a bear by the tail and may not be able to let go of it. It may, they say, develop into one of Henry Wallace's boomerangs — with which he plays wherever time and space permit.

Batt Policy Commission soon will rcommend stabilization of U.S. synthetic rubber production at 250,000 tons a year in a report to President Truman. The report will point out that production of natural rubber will approximate pre-war volume before long.

Bonds due in 1949, 1950 and 1951 will be used to pay enlisted men and women for their so-called "terminal leave." It only adds some three billion dollars to the national debt, and will solve a lot of headaches for the legislators back home.

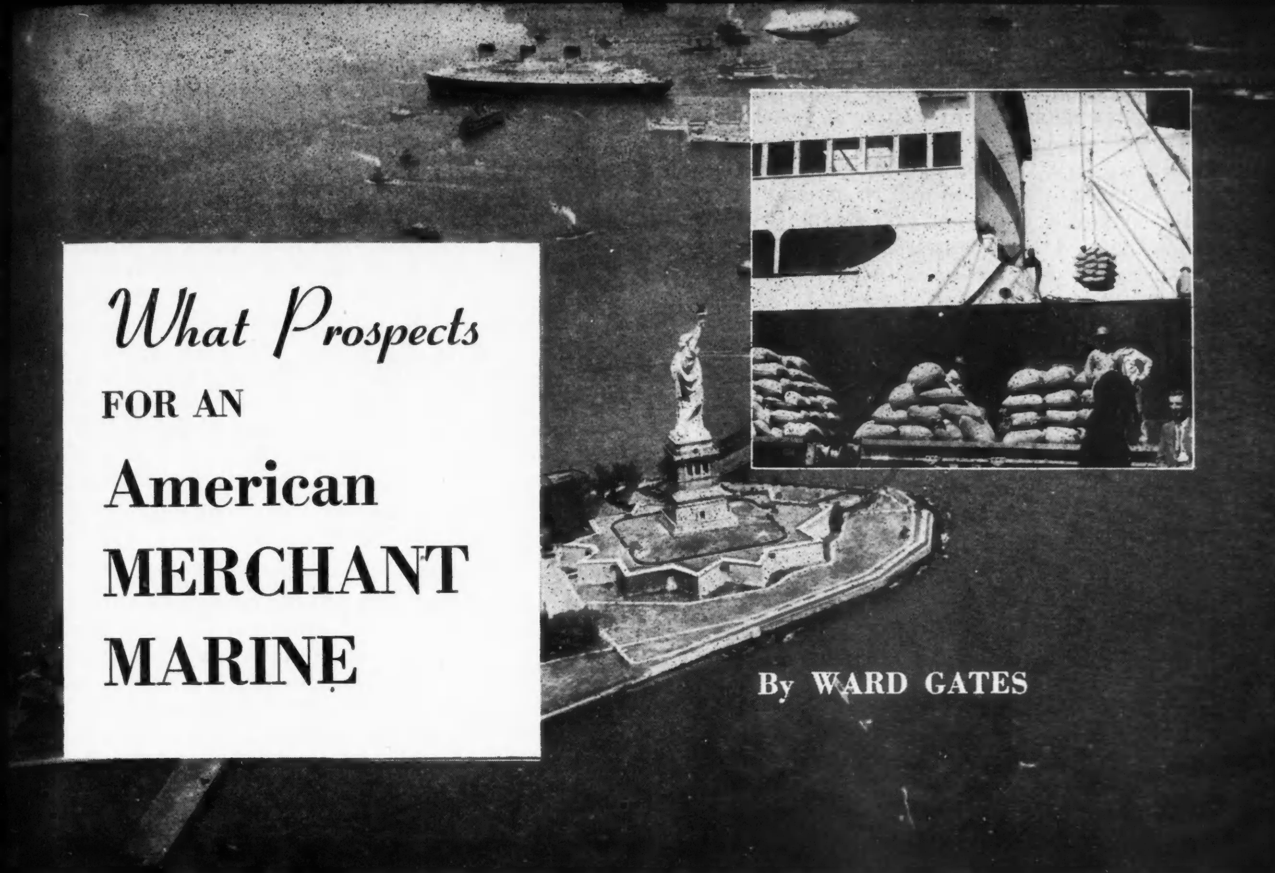
New labor legislation next January is foreseen by many Washington labor observers. This would be one of the few results from the highly disturbed labor-management situation this year, which produced many days of heated debate over drastic proposals to curb labor unions, but resulted in nothing.

U. N. R. R. A. chief, F. H. La Guardia, in a quarterly report to the Agency's plenary meeting at Geneva, suggested that the agency should start liquidating October 1. He also accused the Red Army of taking much needed food and petroleum supplies from Austria.

General Electric Co. plans to eventually employ 160,000 persons by 1948 when it expects annual sales to reach $1 billion. At present the company has 130,000 on its payrolls, which compares with pre-war employment total of 70,000.

Income payments to individuals in June were at an annual rate of $160.6 billion, compared with actual payments of $160.8 billion, a record high, in the full year 1945, according to a report of the Department of Commerce. Disbursements by private industry rose to a new peak in June and were 6 per cent greater than in July 1945, the last full month of the war.

Department of Commerce reported that the Aircraft manufacturers had a backlog of orders on June 30, last, of nearly 47,000 private aircraft and about 700 commercial planes with a total value of $411.5 million. Military backlog declined during the mnnth to $643 million from $645 million at end of preceding month, while total of military and commercial orders increased to $1.054 million from $1,036 million a month previous. In addition to these unfilled orders, the industry had on hand $18 million of conversion orders, mostly of military types into airliners and substantial orders for spare parts, in addition to orders for other products in excess of $64 million.



What Prospects FOR AN American MERCHANT MARINE

By WARD GATES

THE EXTENT of the metamorphosis which has been accomplished in the shipping industry stands out in sharp relief when it is recalled that prior to the start of World War II, our merchant fleet, in addition to being handicapped by obsolescence, was poorly situated to compete with foreign ships because of high costs and disadvantageous rates. With a surplus shipping tonnage inherited from the First World War still overhanging the market, with American crews the highest paid in the world, and confronted with low-cost foreign construction, our domestic merchant fleet steadily deteriorated despite governmental subsidies.

The glaring inadequacy of our domestic shipping facilities to meet the requirements of an impending five-front war was a major Governmental problem early in 1942 and the need for immediate action was quickly appreciated. In fact as early as June, 1941, fifty per cent of the vessels in the coastwise trade were taken over by the Government for defense purposes, and by March, 1942 all coastwise vessels had been transferred to war use.

Following VJ Day the tonnage of vessels under construction and/or under contract fell off sharply amounting to only 753,067 gross tons as of June 1st, 1946 as compared with a total of 20,742,255 gross tons on July 1st, 1943, the peak of the shipbuilding backlog. The wartime program, however, greatly increased our merchant fleet and notwithstanding war losses the total of Government and privately owned ships totaled 5,329 vessels aggregating 56,850,395 deadweight tons on July 1, 1946, according to data released by the United States Maritime Commission. The result is that today American flag ships make up about 85 per cent of the world fleet and carry 70 per cent of our own foreign commerce. We have, in short, become the world's leading maritime influence in less than five years and the burning question of the moment is whether we will continue to hold our leadership; or again sink back to the indifferent and discouraging (for ship operators) conditions of prewar years.

War a Boon to Private Companies

The plight of domestic steamship companies in 1937 was not an enviable one either judged by operating earnings and return on investment, or viewed from the standpoint of working capital. For most companies it was a dreary struggle for survival. The war, however, changed conditions enormously to their advantage and today they have a new lease on life which it is to be hoped will prove more than transitory.

During the war years all vessel operations were conducted for account of the Government with company-owned ships bareboat chartered to the War Shipping Administration. In addition, new ships built during the war were assigned to the companies to be operated as agents for the WSA. Such vessels were assigned to almost 100 steamship companies as general agents, in proportion to the experience and capacity of each operator. The agency duties with which these companies were charged included the complete husbanding of the vessel involving manning, fueling, equipping, supplying, victualling, arranging for and supervising

repairs, and other functions connected with the vessel's operation. United States Lines, for example, operated a maximum of 115 such vessels in 1945; American Hawaiian Steamship Company in the same year operated 82 agency ships for the WSA as compared with its own fleet of only 12 vessels; while Atlantic Gulf and West Indies Steamship Lines had 58 such vessels assigned to it as contrasted with only eleven ships of its own operated under bareboat charters.

The result was that substantially all of these companies' operating income was derived from various agreements with WSA, including bareboat and time charters on company-owned vessels, service agreements under which the company served as the Government's operating agent, terminal operating agreements, cargo handling and so on. But the companies prospered as the large increases in working capital and expanded earnings in the accompanying table discloses. This does not, however, tell the whole story since space did not permit inclusion of such important financial items as insurance and ship replacement funds.

As of December 31, 1945, for example, American Hawaiian had $12,042,043 invested in U. S. Government securities, or in cash, representing Vessel Replacement Fund assets; while Atlantic Gulf & West Indies received over $3,300,000 in 1945 as just compensation for vessels lost while under charter to, or requisitioned for title by, the WSA. Comparable funds established by the United States Lines under the Merchant Marine Act of 1936 totaled $13,241,698 at the close of 1945.

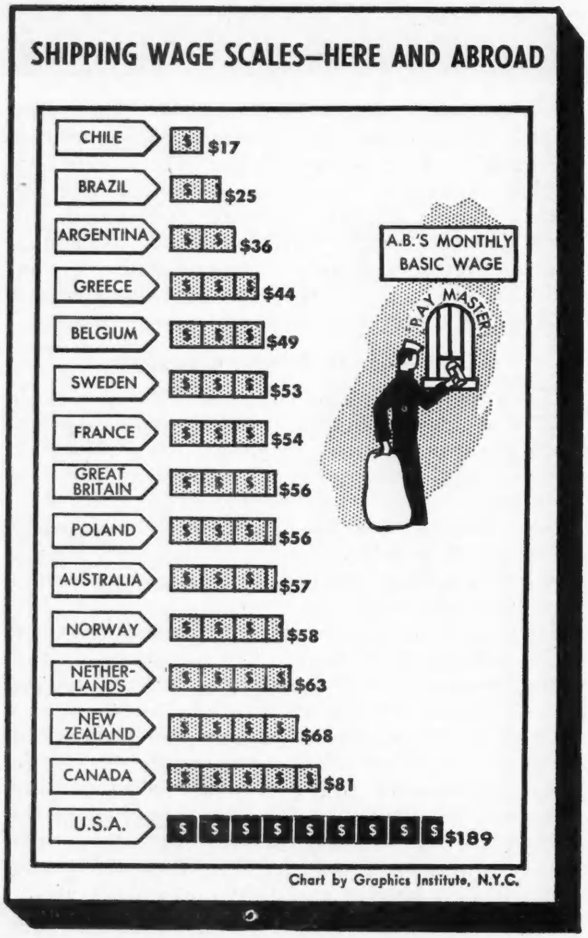


Chart by Graphics Institute, N.Y.C.

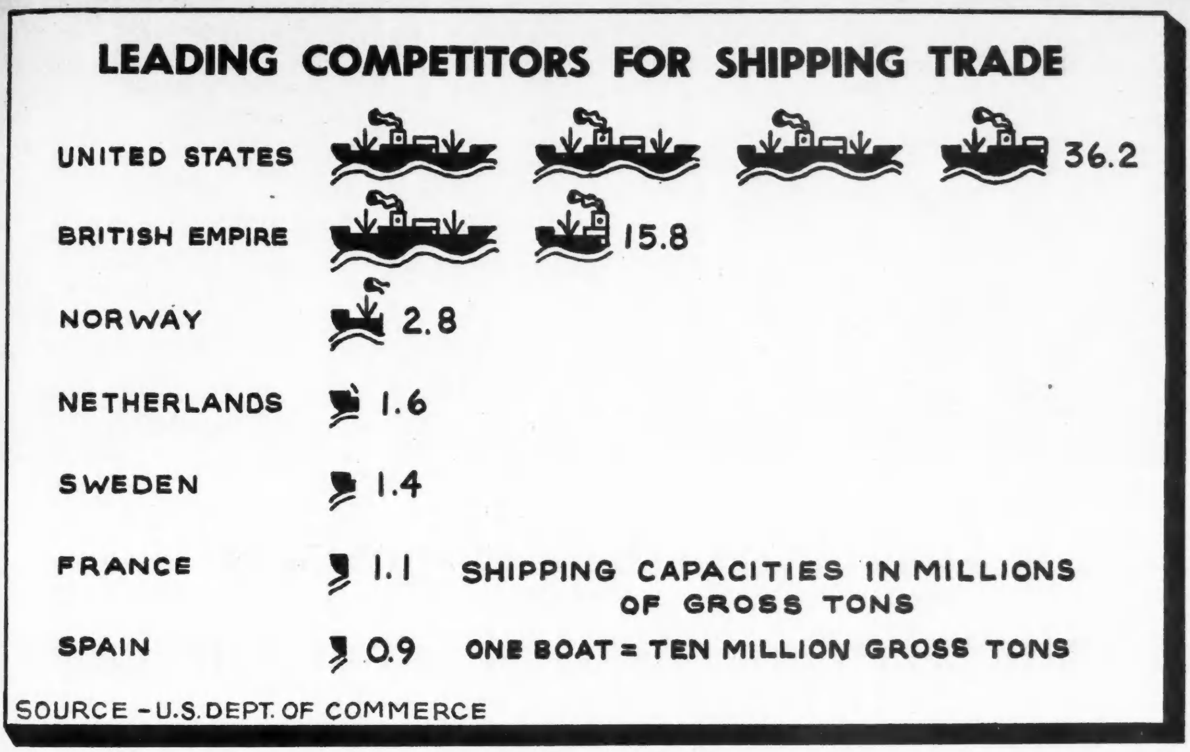
There is some question, however, as to the tax status of some of these funds which is interfering with plans of major subsidized lines to acquire new ships. The Treasury Department, it seems, is out in force to end tax exemption on deposits made during the war on the theory that these subsidy contracts, of which the tax exemption feature was a part, were suspended in 1942. Meanwhile, a substantial amount of the funds are available, in any case, for new ship purchases and this, combined with materially reduced debt and vastly augmented current finances, constitutes the companies' heritage carried over from the war years.

Facing a Problematical Future

Granting that the shipping companies are launching their reconversion programs in good financial shape and with more conservative capital structures; and admitting also that the hazards of war eliminated many over-age and obsolete vessels thus rather forcibly promoting modernization; the future, nevertheless, is far from rosy.

Of the many problems that face the American steamship industry today, none is more important or more pressing than that of labor. To begin with, it must be remembered that the shipping business is an international one and domestic operators must compete with foreign flag ships. In this respect we were always vitally handicapped by incomparably higher wage scales, but this factor was intensified during the war years by an average wage increase for American merchant seaman of approximately 75 per cent, with hardly any corresponding increases abroad. The result is that an able seaman on United States ships now receives a base pay of $189 a month while the average income for the same rating on ships of fourteen other leading maritime nations of the world is $58.25. The scale ranges from $17 a month for an AB seaman on a Chilean flag ship to $81 on a Canadian ship. These differentials are particularly hard on unsubsidized shipping companies which, by the way, account for about 60 per cent of the American fleet engaged on foreign routes. Furthermore, over and above the higher wage scales the powerful National Maritime Union and the Seafarers International Union have imposed troublesome and costly rules as to manning requirements, and "penalty" wage increases.

As was stated before, the American merchant marine has emerged from the war in an improved position to go forward, but this opportunity and advantage can be lost if the industry is continually beset by work stoppages and strike threats. Everyone, including labor, will be the loser if operating costs become so high and labor strife so frequent that American flag service becomes unattractive to potential shippers. Such a condition can only result in a serious reduction in the number of ships operated.



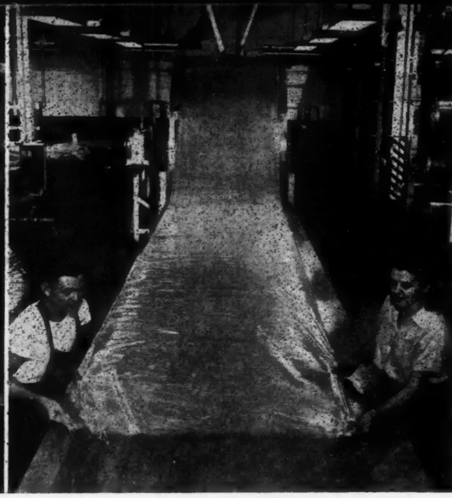
In this connection it is of interest to point out that shipping lines not engaged in foreign trade have to pay the same wage scales and this impairs their competitive position with other forms of transportation, notably railroads. Coastwise shipping is a good case in point. Such services were discontinued during the war period, with the inevitable result that coastwise steamship lines' traffic was diverted to other channels. In an effort to rehabilitate the coastwise services the War Shipping Administration obtained the Interstate Commerce Commission's approval to assign vessels to companies holding certificates of convenience and necessity in that trade. The vessels were to be operated for the Government's account until such time as the lines were in a position to resume normal operations themselves. It soon developed, however, that operating costs had substantially increased in the interim whereas freight rates of the water lines had been practically frozen since early in 1942. Accordingly, it appears doubtful that the Government will continue coastwise operations at a loss, and private companies have openly expressed their intention of avoiding this field until an opportunity for reasonable profit is assured.

In the face of such problems posed by labor, rates and competition, American steamship companies must also solve the riddle of proper postwar fleet facilities that can be operated profitably. Effective March 2, 1946, control of international shipping by the United Maritime Authority was discontinued, and the WSA directed that the vessels which it had chartered from steamship owners be redelivered to the owners in order that they might resume commercial operations. Shortly (*Please turn to page* 605)

Recent Trends in U. S. Foreign Trade

	1936 - 38	1946			
	Monthly Avge.	January	February	March	April
Value (in $ thousand)					
Exports, including reexports	$247,211	$798,996	$671,228	$815,063	$757,786
Cash—purchase	247,211	543,564	480,426	591,754	586,940
Lend-lease	....	130,148	99,607	116,353	80,304
U.N.R.R.A.	....	125,284	91,195	106,956	90,542
Exports, U.S. merchandise	243,752	779,585	650,563	788,265	741,163
Cash—purchase	....	531,828	467,073	576,188	575,398
Lend-lease	....	124,900	98,070	115,465	78,229
U.N.R.R.A.	....	122,857	85,420	96,612	87,536
General imports	207,408	393,809	317,813	383,705	405,662
Imports for consumption	205,096	400,304	306,695	373,361	392,969
Indexes					
Exports, U. S. merchandise:					
Value	100	320	267	323	304
Quantity	100	219	180	216	199
Unit value	100	146	148	150	153
Imports for consumption:					
Value	100	195	150	182	192
Quantity	100	121	93	111	117
Unit value	100	162	161	164	164

Source: Foreign Commerce Weekly.



1946 Special Re-appraisals of Values, Earnings and Dividend Forecasts

Prospects and Ratings for Steels, Chemicals, Liquors, Rubber Processors and Metal Fabricator Stocks

PART II

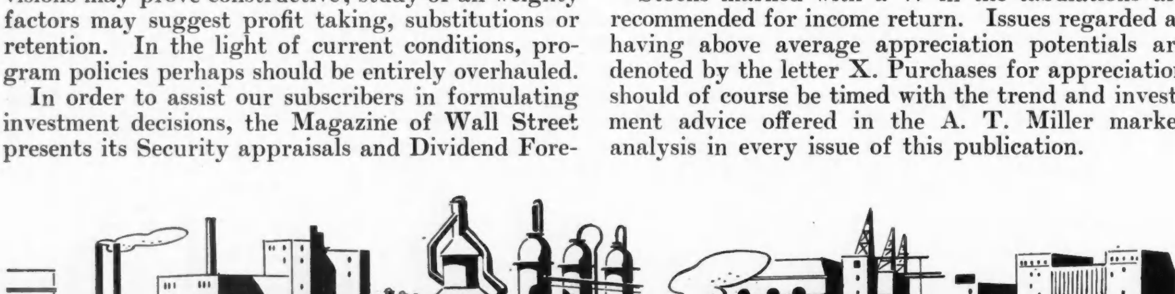
Entry of the economy into the second half year brings widely divergent prospects for shareholders in most concerns. Harassed by labor troubles, shortage of parts and materials, hampered by mounting costs and price restrictions, many enterprises have experienced tough going. Conversely, numerous companies have surged ahead to spearhead the race towards the long heralded boom.

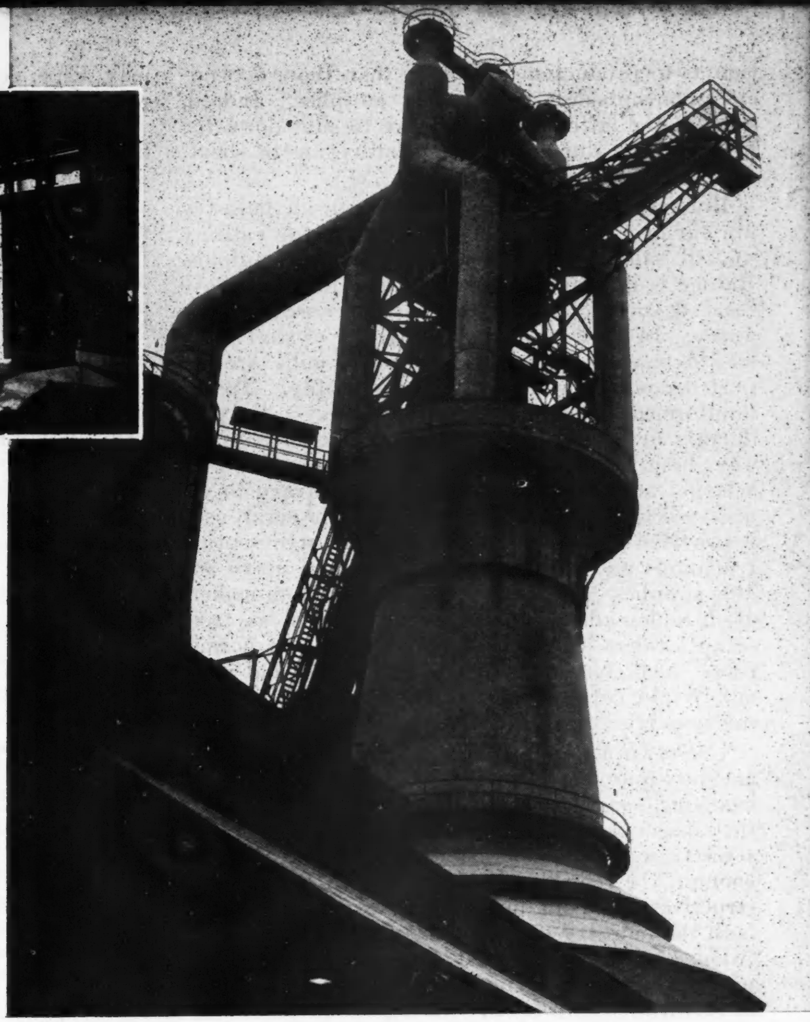
Whether near term developments likely to emerge warrant confidence or pessimism to shareholders in this or that corporation has now become a serious problem, calling for access to facts and use of soundly based judgment. Seldom as at the moment have economics, politics and social forces combined to cloud potentials for stable income or appreciation. Hence, wise investors will be alert to scrutinize their portfolios, for with intelligent appraisal certain revisions may prove constructive; study of all weighty factors may suggest profit taking, substitutions or retention. In the light of current conditions, program policies perhaps should be entirely overhauled.

In order to assist our subscribers in formulating investment decisions, the Magazine of Wall Street presents its Security appraisals and Dividend Forecasts at six months intervals, in addition to its regular coverage of important economic and industrial developments in each issue. By this method, the maximum number of industries are periodically reviewed on the basis of recent information available, along with up-to-date statistical data for ready comparisons. Supplementing this, brief comments on the status of each individual company listed on the table are presented.

They key to our ratings of investment quality and current earnings trend of the individual stocks—the last columns in the tables, preceding comment—is as follows: A+, Top Quality; A, High Grade; B, Good; C+, Fair; C, Marginal. The accompanying numerals indicate current earnings trends thus: 1—Upward; 2—Steady; 3—Downward. For example, A1 denotes a stock of high grade investment quality with an upward current earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. Purchases for appreciation should of course be timed with the trend and investment advice offered in the A. T. Miller market analysis in every issue of this publication.





Illustrations show tapping of steel from open hearth furnace, heated steel ingot ready for rolling into rails, and one of the largest blast furnaces in operation with daily rated capacity of over 1300 tons.

Looking Ahead with The STEELS

By GEORGE W. MATHIS

REPORTS of steadily increasing production by the giant steel industry provide encouraging evidence that, barring further interruptions such as hampered progress early in the year, the second half of 1946 is likely to gladden shareholders in the leading concerns.

With operations drastically curtailed by strikes in the first quarter, and with the stoppage of coal production a serious factor in the June three months period, the rate of recovery since attests to the fact that management has lost none of its almost miraculous skill established in war years. Contrasting with a low point of 43% of capacity during the week of June 3, production of ingots by the industry leaped to about 87% by the end of the month, advancing more slowly to a postwar peak above 90% in recent weeks. In individual instances, that of Bethlehem Steel Corporation for example, current production is reported to have reached a level of even 99%.

Trouble is that since the termination of the war, steel ingot production, for reasons well known, has totaled only 51.3 million tons compared with 73.3 million tons in the corresponding ten months period ended in August, 1945. This 22 million tons lag has created a drastic shortage which only time and all-out efforts can overcome, as industrial demand for practically every form of steel products is of record peacetime proportions. As matters stand, producers of ingots, sheets, strips, bars, plates, pipe and structural steels are booked to capacity for the balance of 1946, and few of them have been willing to accept orders yet for early 1947. Allocations to customers is the rule of the day generally, with prices to be set as of delivery date. Main hope of shrinking the huge backlog of accumulated orders by the year end is an optimistic raising of sights to produce 40 million tons of ingots during the second half if it is a possible thing.

But while ingot production is the basic problem besetting most branches of the steel industry, earnings potentials of individual fabricators are likely to vary considerably due to difficulties in balancing deliveries of essential supplies. Hence orders booked may prove an unreliable index of probable profits, despite encouraging statistics bearing upon capacity. And CPA has added confusion by instituting a certification of orders program which allows only a month's time leeway in bookings. This has upset many a producer's factory schedule. Furthermore, Federal regulations now require that a proportion of all output must be shipped to warehouses, in order to broaden distribution to hard pressed local customers all over the country, thus curtailing supplies still more. All said, the highly integrated concerns in the industry are in a more fortunate posi-

tion as to production potentials than those dependent upon outsiders for primary supplies. Indeed, some of the latter may even have to shut down for brief periods during coming months due to shortages likely to develop.

But even the best integrated units in the industry are far from experiencing a prospect for entirely smooth sailing as the second half year unfolds. Rather is it true that some current problems have reached such an acute stage as to cause a lot of worry. In the first place, the scarcity of steel scrap has become so pronounced that the mills are reported down to a mere two weeks supply. To the uninformed it should be pointed out that in the production of ingots, practice of the smelters has always been to use about 40% scrap for mixture with a larger amount of new material. Contrary to ordinary belief, about three quarters of the scrap used is provided by the steel industry itself, representing trimmings and odds and ends which add up to sizable supplies. The balance is gathered from makers of durables all over the country, as well as from scrap dealers of various description. In normal times, such items as junked automobiles and worn out freight cars substantially boost the supply, but under current conditions these are inadequate.

Unless iron and steel scrap in much larger amounts than are now available become immediately available, some leaders in the industry predict that the national steel production rate will decline severely within the next few weeks. Interestingly enough, the rebirth of OPA may tend to be a constructive factor in increasing scrap supplies, for both the industry itself and the Civilian Production Administration claim that, perhaps validly, price uncertainties of late have influenced many holders of scrap to withdraw all offerings from the market for speculative motives. In the near future, OPA may dispel chances for illusionary profits from this program, thus swelling available supplies.

Acute shortage of steel scrap and shortages of freight cars for removing the finished product is curtailing steel production in many plants.

Reconversion Director John Steelman likewise has come to the rescue with promises that steel mills as rapidly as possible will receive substantial amounts of scrap from surplus ships, tanks, guns, etc., to alleviate the current acute shortage. In fact, all agencies of the Government are to cooperate in speeding up the dismemberment of unneeded steel equipment, headed by the Navy and Maritime Commission already in step to junk several hundred ships, and under orders to return to this country all the foreign-located potential scrap for which they have cargo space. Additionally, the War Assets Administration is hastening to bolster supplies by releasing a lot of obsolete machine tools or hard-to-sell equipment for conversion into scrap. Such combined efforts by Washington not only highlight the serious aspects of the current shortage, but also point to substantial relief, provided it is not too long in arriving.

As if the steel industry had not already experienced enough handicaps in meeting the pressure for its products, another new bottleneck has made its appearance to worry all hands. This time it is a serious shortage of fr[illegible]s, not alon[illegible]ding the arrival of scrap and other basic materials to the mills, but also slowing up deliveries of all their products to their customers. Just recently, Carnegie-Illinois Steel Co. had to bank two blast furnaces and six open-hearth furnaces because of lack of incoming transport. Fact seems to be that the railroads have been slow in ordering new equipment, preferring to get the last ounce of wear out of their long obsolete equipment until the progress of the economy became more clear. But less blame attaches in this direction when it is realized that lack of steel has forced car manufacturers during the first six months to make a sorry production record compared with the substantial orders for new freight trains which they did receive. A more rational explanation of the car shortage is the evident record activity in the general business world, but this will not solve the problem unless more cars are allotted to the steel industry, voluntarily or otherwise.

Earnings Outlook Uncertain

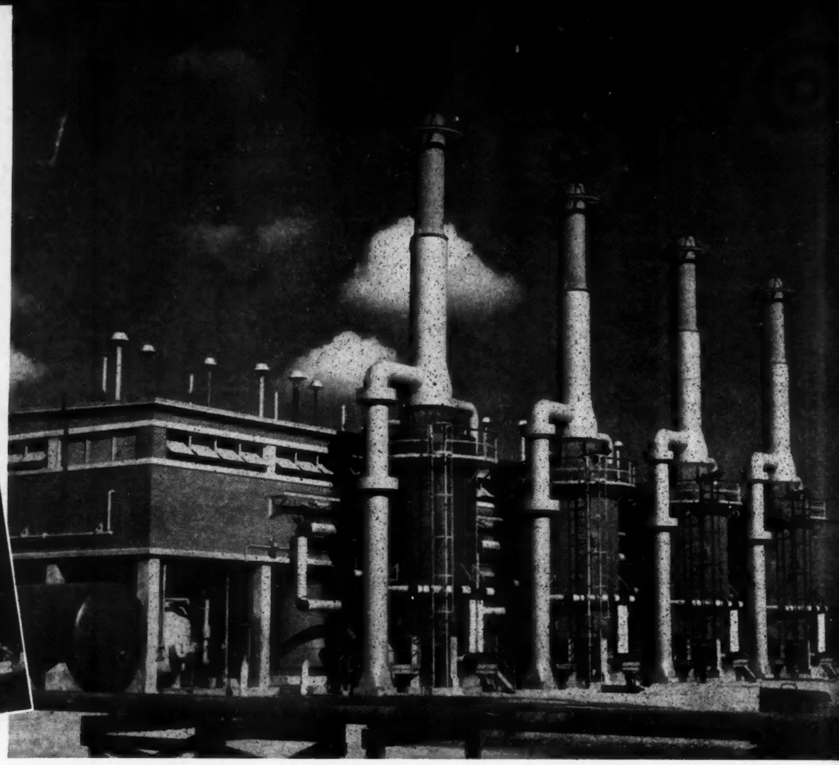
Granted that current physical problems may be solved better than might seem possible at the moment, or least progressively, the aspect of earnings potentials during the next six months looms up with above-average uncertainties. Here the obscurity over rising prices for labor, coal, pig iron, ore, metals for alloys and transportation in relation to OPA ceilings for products turned out constitutes the main difficulty in appraising net results. For the time being, at least, wage costs have settled down to a determinable level collarwise, although the quantity and quality of available labor still remains variable with different concerns. Prices for nearly every component in steel making are likely to advance during near term months, creating a corresponding squeeze upon profit margins unless further relief comes from OPA. Under the terms of the new Extension (*Please turn to page* 604)

Financial Analysis of Steel Producers

	Net Per Share: 6 Months to June 30, 1946	1945	1941-44 Average	Current Dividend*	1944 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
Acme Steel W	$1.74	$2.00	$2.24	$1.70	$1.40	$47	23.5	3.6%	B1	Likely to benefit from increased efficiency and tax relief. Dividend outlook promising.
Allegheny Ludlum Steel X	1.90	2.68	3.16	2.00	2.00	53	19.7	3.8	B2	Stainless and alloy steels in wide demand enhances potentials. No change in dividend rate likely.
American Rolling Mill X	1.90	2.58(e)	1.92	.90	.80	37	14.3	2.4	B1	Profitable operations in 1946 probable due to major emphasis upon production of light and stainless steels. Dividend secure.
Bethlehem Steel	5.35	9.52	8.54	6.00	6.00	105	11.0	5.7	B2	Current dividend well covered by recent net reported.
Byers, A. M.	def. 1.54Mr3	2.51	3.26	Nil	.50	26	10.4	....	C+1	Rising costs of materials, plus shortages, cloud near term earnings prospects. Operating losses may continue to preclude dividend.
Carpenter Steel	1.08Mr3	3.08	4.37	2.50	2.25	54	17.5	4.6	B2	A specialist in stainless and alloy steel, with fair potentials for improved earnings. Current dividend probably stable.
Colorado Fuel & Iron	def. 2.04Mr9	1.73	1.75	57½	.50	16	9.2	3.6	B3	Important producer of steel rails. Hampered by smaller volume and rising costs. Conservative dividend not likely to change.
Continental Steel (b)	.78	1.22	1.55	.80	.80	21	17.2	3.8	C+1	Large agricultural demand for wire, sheets and fencing should improve volume if primary bars are obtainable. Present dividend should hold.
Crucible Steel	def. 4.83Mr3	7.26	8.23	2.00	3.00	47	6.4	4.2	B2	Despite poor half conditions, 1946 net likely to compare favorably with 1945. Earnings amply cover current dividend.
Inland Steel (c) W	.21Mr3	2.01	2.38	1.57	1.50	40	20.0	3.9	B2	Outlook for this concern has much of promise. Capacity operations and skilled management lend appeal. Present dividend rate assured.
Interlake Iron	def. .13Mr3	.41	.73	.25	.35	15	....	1.6	C+1	Competitive position enhanced by shortage of scrap. Earnings should improve through advance in product prices. Dividend probably safe.
Jones & Laughlin Steel X	,13Mr.	2.91	5.52	2.00	2.00	47	16.1	4.2	B2	1946 net not likely to differ much from 1945. Fair assurance of continued dividend is indicated.
Keystone Steel & Wire W	2.78(a)	2.10	1.95	2.20	1.20	48	22.8	4.6	B1	Featured by absence of labor troubles in the current year, this producer should make good showing for 1946. Dividend stable.
National Steel W	.94Mr3	5.04	5.84	3.00	3.00	94	18.5	3.2	B2	Strong demand for light steels likely to be met from expanded facilities. Dividend distributions assured and may improve.
Republic Steel	.64	1.36	2.44	1.00	1.00	35	25.8	2.8	B2	Poor operating conditions first half may hold down 1946 earnings potentials. Dividend probably secure.
Sharon Steel X	.46Mr3	1.86	2.36	1.10	1.00	34	18.3	3.2	C+2	Important acquisitions enhance volume potentials. Good cost controls favor prospects for better earnings. Dividend amply covered.
Superior Steel X	3.11	2.48	4.43	1.20	1.20	45	18.1	2.7	C+3	If company can get supplies of steel billets, volume in second half should produce satisfactory profits. No change in dividend apparent.
U. S. Pipe & Foundry	......	2.03	2.67	1.60	1.60	52	25.6	3.1	B1	Huge demand for products likely to continue for several years. Dividend stable.
U. S. Steel X	1.20	3.77	6.03	4.00	4.00	87	23.0	4.6	B1	Policies to concentrate upon production of more profitable items enhances earnings potentials. $4 dividend not likely to change.
Wheeling Steel X	.30	3.75	6.32	1.50	1.50	54	14.4	2.8	B3	Considerable output of consumer durables in broad demand enhances prospects. Probable earnings uptrend supports dividend stability.
Woodward Iron	1.41	.61	3.09	2.00	1.50	46	75.5	4.3	B3	Probable advance in price ceilings for pig iron favors outlook for this important Southern producer. Current dividend seems safe.
Youngstown Sheet & Tube	2.57	4.12	5.84	2.25	2.00	76	18.4	3.0	B2	Heavy demand for sheets increasing volume. 1946 net may top 1945 considerably. Recently increased dividend to 75 cents.

*12 months to date. Mr3—For 3 months ended March 31. Mr9—for 9 months ended March 31. def.—Deficit.
(a)—Fiscal year ended June 30, 1946. (e)—After extraordinary and non-recurrent adjustments, net was $3.96
(b)—All figures adjusted for 2½-for-1 split effected March 19, 1946. (c)—All figures for 3-for-1 spit effected April 24, 1946.

An Ethyl Benzene cracking plant engaged in converting Ethyl Benzene into crude Styrene



Divergent Trends of the Chemicals

By ROGER CARLESON

DESPITE RECENT pessimistic announcements by the Civilian Production Administration that the near term outlook for the chemical industry "is anything but satisfactory," a study of the situation seems to disclose so many favorable factors that shareholders in leading concerns can view the second half potentials with above average confidence.

Sharp Earnings Increases Noted

While certain segments of this immense industry have been, and still are, hampered by operational difficulties of one kind or another, compared with those of other important industries they appear relatively insignificant. Indeed, ever since VJ Day chemical manufacturers generally have been outstanding in their ability to merely shift customers for their products, without the usual reconversion delays and expense. In this process, civilian demand has proved so extensive that volume has declined only slightly below the 1945 level, and through tax relief in the current year, plus access to more profitable markets than the tightly priced Federal one, the general trend of net earnings has been sharply upward.

During the chaotic first quarter, for instance, when red ink featured the reports of many basic industrial concerns, net earnings of 26 representative chemical manufacturers showed an average gain of 74% compared with the relative 1945 period, only four of them registering declines, for reasons easily explainable. Reports for the first half year just beginning to appear are equally encouraging, as will be noted by reference to the appended table. Unless something unforeseen occurs to check the current upswing of the economy into accelerated activity during the balance of 1946, final results for the year should prove by no means displeasing to management and shareholders in most strong concerns engaged in chemical manufacture.

Many Types of Chemical Producers

The chemical industry is so broad in definition that within the scope of this article it is practical only to consider potentials for restricted groups, and at that in a rather brief manner. The secular growth of chemistry has reached such proportions that quite aside from the industry proper, outsiders have invaded the field on a tremendous scale, the oil industry for example now holding the banner for volume sales of chemical products. The steel, leather, rubber and textile industries also are spending large sums upon chemical research, not to mention paints, foods and others. Fact is that chemistry involves a study of the basic composition of all matter and a re-arrangement of its components. Hence every manufacturer is alert to stimulate progress in this vast field. But wider spread knowledge of the subject only tends to enhance potentials for the strongly entrenched producers of the basic chemicals included in our discussion.

Chief worries of the (*Please turn to page 598*)

Financial Survey of Leading Chemical Producers

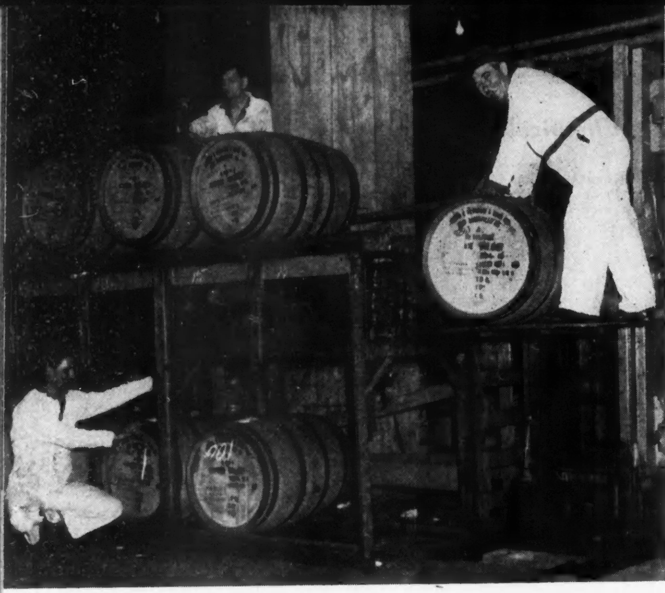
	Net Per Share 1946 Interim	Net Per Share Fiscal Year 1945	Net Per Share 1941-44 Average	Current Dividend*	1944 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
Air Reduction	$.64Je6	$3.04	$2.39	$2.00	$2.00	$51	16.7	3.9%	A2	A leading maker of oxygen and acetylene, along with their equipment. Also dry ice and special chemicals. Earnings trend up. Dividend safe.
Allied Chemical & Dye	......	8.54	8.91	6.00	6.00	195	22.8	3.1	A2	Larger producer of alkilis, acids and heavy chemicals. Expanding sales and tax savings enhance prospects. Dividend well assured.
American Agricult. Chem. W	2.53Mr9	2.77	2.70	2.20	2.00	48	17.3	4.6	B1	Dominant producer of fertilizers. Strong financial position and expending volume tend to stabilize current distributions.
American Cyanamid X	.63Mr3	2.02	2.19	1.25	1.35	56	27.6	2.2	A2	Substantially diversified output includes dyes, acids, cyanides, fertilizers and resins. Good cost control supports dividend stability.
Atlas Powder	1.30Je6	4.17	5.69	3.00	3.25	69	16.5	4.3	B3	Lack of military sales partially offset by production of lacquers and cellulose products. Dividend probably will be maintained.
Columbian Carbon W	.79Mr3	2.08	2.01	1.55	1.33⅓	39	18.7	4.0	A1	A major factor in the field of carbon blacks and synthetic oxides. Uptrend in sales and profits likely. Dividend well secured.
Commercial Solvents	.73Je6	.77	1.05	.95	.75	27	35.1	3.5	B2	One of the largest producers of various alcohols, dry ice, and antifreeze mixtures. Shortages restricting production but dividend stable.
Dow Chemical X	3.61Fe9	6.02	6.62	3.00	3.00	172	28.6	1.7	A2	Makes more than 500 chemicals. Established earning power likely to show improvement. Prospects bright and dividend amply earned.
du Pont Chemical W	4.67Je6	6.29	6.19	5.75	5.25	211	33.6	2.7	A+1	The largest chemical manufacturer, with many diversified investments. Current earnings trend sharply upward. Dividend assuredly safe.
Freeport Sulphur W	2.50Je6	4.19	3.32	2.50	2.00	56	13.3	4.5	B1	Important producer of sulphur and manganese. Current good business likely to continue for some time. Dividend probably will not change.
Hercules Powder (a) W	1.30Je6	1.68	1.90	1.25	1.25	59	35.0	2.1	A1	Extensive chemical production supplements output of explosives. Lower taxes likely to enhance earnings potentials. Dividend well covered.
Mathieson Alkali Wks.	1.04Je6	1.19	1.47	1.00	1.00	34	28.6	2.9	B1	Ranks fifth in special field. Large demand for products points to expending volume and profits. Fair chance of dividend increase.
Monsanto Chemical (b)	.74Mr3	1.16	1.29	.83⅓	.75	54	46.5	1.5	B1	Strongly established in trade as producer of 300 chemicals. Prospects bright despite current strike. Dividend recently increased.
Texas Gulf Sulphur W	1.70Je6	2.60	2.30	2.50	2.50	52	20.0	4.8	B2	Produces about 50% of domestic sulphur. Current heavy demand here and abroad enlarges earnings potentials. $2.50 dividend assured.
Union Carbide & Carbon W	2.66Je6	4.08	4.20	3.00	3.00	112	27.5	2.7	A2	Second largest chemical concern, with prospects of sharply expanding sales and profits in near term. Dividend distributions stable.
United Carbon	1.70Mr3	5.69	4.88	3.00	3.00	76	13.3	3.9	A1	Second in rank among producers of carbon black. Improvement in earnings expected in current year. $3 dividend may be raised.
U. S. Ind. Chemical	1.33Je3	3.67Mr	4.32	2.25	2.00	54	14.7	4.2	B3	Leading producer of ethyl alcohol, with diversification in various chemicals. Outlook currently clouded by shortages. Dividend safe.
Victor Chemical	1.28Je6	1.51	1.47	1.30	1.10	46	30.4	2.8	B2	Ranks second as producer of phosphoric acid. Expanding growth in food and soap industries enhances prospects. Dividend position secure.
Westvaco Chlorine	1.04Je6	1.80	2.49	1.40	1.40	40	22.2	3.5	B2	An important specialist in chlorines and caustic soda. 1946 net trending upward. No change in dividend rate indicated.

*12 months to date. Mr—Fiscal year ended March 31, 1946.

(a)—All figures adjusted for 2-for-1 split effected April 15, 1946.

(b)—All figures adjusted for 3-for-1 split effected July 23, 1946.

Fe 9—9 months ended February 28. Mr3—3 months ended March 31. Mr9—9 months ended March 31. Je6—6 months ended June 30. Je3—3 months ended June 30.



Stocks of whisky in warehouses for ageing purposes should show a considerable increase in current fiscal year.

Another Look At The LIQUORS

By H. F. TRAVIS

JUST AS EVERY PLAY must have its leading characters, every bull market must have its stars, and in the present market the liquor stocks have been outstanding from the standpoint of earnings and market performance. Schenley has been split so many times, traders have lost count, and it is not unusual for the board room habitués to speculate on the next Schenley split-up before the present has been accomplished.

Recent restrictions on the use of grain for whiskey production have inspired much protest on the part of the distillers, who claim that this move is purely political and will have no effect on the starving populations of the world, as the grain used in whiskey distilling and in the brewing industry is unfit for human consumption, and in addition, the residue from distilling and brewing operations is later sold as feed for livestock, thus involving no waste of any kind. In reality, these operations are an economic benefit, use of this grain to provide alcohol, and at the same time create more food by fattening livestock. These restrictions will eventually be removed in the future, however, with prospects of record crops and reports of large crops anticipated for European countries, and prospects that these countries will be able to take care of their own food requirements by fall. Conditions in the Far East still remain bad, and it is difficult to estimate these requirements.

These factors will have little or no effect on profits, but will only tend to keep down future supplies of liquor for aging purposes, and to prolong the time when ample stocks of bonded whiskey will be available to the consumer. Production of whiskey from July 1, 1945, through May, 1946, amounted to 140,000,000 gallons, and usage during that period was about 75,000,000 gallons, allowing for evaporation and leakage, an increase in inventories of approximately 65,000,000 gallons. Industry stocks at present amount to 371,000,000 gallons before losses due to evaporation and leakage and consist of 190,000,000 gallons of aged whiskey and 181,000,000 gallons produced since August 1944. After allowance for evaporation losses, actual whiskey now in warehouses amounts to approximately 142,000,000 gallons of aged whiskey and about 170,000,000 gallons of young whiskey.

Increase in Blends Seen

Based on 1945 use of aged whiskey, approximately 60,000,000 gallons, stocks of aged whiskey would soon be exhausted, but indications point to increased use of the younger whiskey in order to stretch out supplies of the maturer product. Normal whiskey stocks are estimated at 425,000,000 gallons and withdrawals this year are expected to exceed 1945 when total was 119,000,000 gallons.

Labor and material costs in the liquor industry are higher but these factors are minor, compared with advertising and promotional expenses. Current capacity of the industry is estimated at 440,000,000 gallons and compares with peak consumption of 190,000,000 gallons in 1945, indicating that when the present emergency is over and stocks have been built up to normal levels, there will be a renewal of the intense competition prevailing before the war with a possible renewal of price cutting, but this is some time in the future, due to time required for whiskey stocks to age. Trend to diversification by the larger companies is in evidence with entry

Continued increase in consumption of blended whisky seen as a result of short supplies of aged whisky.

by the various companies into the fields of drugs, plastics, wines, beers, etc.

Recent arrival of 25,000 cases of Scotch Whiskey will help ease some of the demand for that product, but only slightly, due to the fact that in the New York area alone, there are 12,187 taverns and package stores and this relatively small amount could be snapped up in one day. Shortage of Scotch whiskey is attributed mainly to British restrictions on use of grain for distillery purposes. According to importers, Scotch distilleries are now operating at 30 per cent of normal capacity. In addition to the scarcity of grain, there is much difficulty in procuring crates, bottles, labels and corks. In view of these facts and the amount of aging required by the reputable brands, it is estimated that the shortage of Scotch might last until 1954.

Earnings Up Sharply

Tremendous gains in earnings have been made by the liquor companies, and prospects are that this increase will continue over the balance of the year. Strong financial condition of the companies insures maintenance of dividends with very good prospects of increased rates being paid. Individual results of the larger units follow:

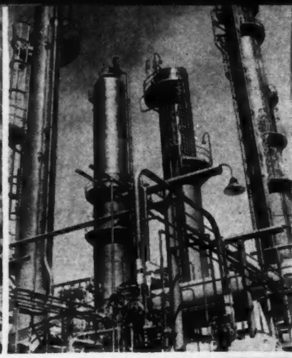
Distillers Corp.-Seagrams, Ltd.—Consolidated net profit for nine months ended April 30, 1946 amounted to $18,189,824 equal after preferred dividend requirements, to $2.02 a share on 8,769,350 shares of common stock outstanding, adjusted for recent five for one split up and compared with $12,614,432 or $1.38 a common share in like period preceding year, based on same number of shares. Financial condition was strong at July 31, 1945, close of preceding year, current assets aggregating $162,206,175 and current liabilities $50,624,262 as compared with $117,810,668 and $66,231,525, respectively, at close of preceding fiscal year. Funded debt was $50,000,000 on July 31, 1945.

National Distillers Products Corp. Net profit for the six months ended June 30, 1946 amounted to $17,393,328 equal to $6.54 a share on 2,659,257 shares of common stock outstanding before three for one split and compared with $5,500,525 or $2.41 a share in first six months of 1945, based on 2,280,275 shares then outstanding. Profit for the first six months of 1946 (*Please turn to page* 607)

Earnings Analysis of Distilling Companies

	Net Per Share: 1946 Interim	Net Per Share: Fiscal Year 1945	Net Per Share: 1941-44 Average	Current Dividend	1944 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
American Distilling X	$8.61Je9	$3.47	$3.92	$2.25	Nil	$69	19.8	3.3%	C+1	Prospects for increased earnings over last half of year bright and assure maintenance of present dividends with increased dividends a possibility.
Austin Nichols	....	2.91(a)	2.49	Nil	Nil	20	6.9	....	C+2	Earnings and present prospects excellent, but large preferred arrears preclude dividends on common stock at the present time.
Brown-Forman (b)	....	7.02(a)	2.57	.80	Nil	66	9.3	1.2	C+1	Although earnings are excellent and prospects for balance of year good, conservative dividend policy has been adopted by this company due to requirements for increased working capital. Maintenance of present dividend seems assured with possibility of year-end extra.
Distillers-Seagrams (c)	2.02Apr9	1.50	1.07	.45	$.45	27	18.0	1.7	B—1	Large present earnings and excellent prospects for balance of year insure maintenance of present dividend rate with possibility of year-end extra.
National Distillers (e) W	2.18Je6	1.73	1.27	1.08	.67	31½	18.1	3.4	B1	Possibility of increased earnings for last half of year seen, with at least maintenance of present dividends, with bright prospects of year-end extra.
Park & Tilford	10.10Je6	5.84	4.15	2.25	Nil	77	13.2	2.9	C+1	Continuation of present large earnings seems assured for balance of year with excellent prospects of increased dividends.
Publicker Industries	2.86Mr3	1.76	2.12(g)	Nil	Nil	55	31.2	....	C+2	Earnings for first quarter of 1946 exceeded entire 1945 year and while company has been expanding working capital, prospects of common dividend are excellent.
Schenley Distillers (f) X	10.48My9	6.43	2.45	1.70	.86	89	13.8	1.9	A1	Present large earnings and ample working capital assure at least maintenance of present dividends with good prospects of extras.
H. Walker, G. & Worts W	14.97My9	12.27	9.93	4.00	4.00	140	11.4	2.8	B1	Large earnings and ample working capital, with good prospects of increased earnings for balance of year indicate possibility of increased dividends.

*12 months to date.
(a) Fiscal year ended April 30, 1946.
(b) Two-for-1 split will be effected August 26, 1946
(c) All figures adjusted for 15-for-1 splot effected June, 1946.
(e) All figures adjusted for 3-for-1 split effected August 1, 1946.
(f) All figures adjusted for 10-for-7 split effected March, 1946
(g) 1943-44 average.
Mr3—3 months ended March 31. Apr9—9 months ended April 30
My9—9 months ended May 30. Je6—6 months ended June 30.
Je9—9 months ended June 30.



Pictures show three important phases of the rubber industry: Collecting the natural rubber, distillation towers for producing the synthetic product, and finished tires for farm machinery.

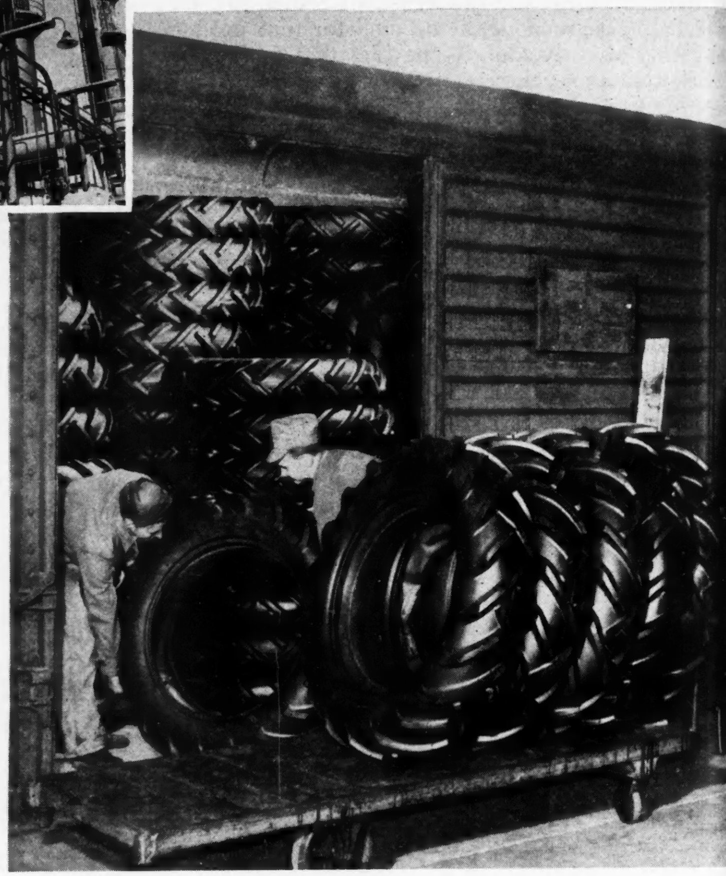


Photo by U.S. Rubber Co.

Potentials Of RUBBER STOCKS

By WARREN BEECHER

BRIGHT PROSPECTS are predicted for the rubber industry in 1946, with a new peacetime production record assured. Estimates are that value of goods produced by the rubber industry will exceed by 87 per cent the record peacetime production set in 1940. More than 50 per cent of 1946 production will be accounted for by tires, and estimates of tire production for 1946 range from 85 million to 100 million. Tire production of all types for first six months of 1946 amounted to 42,700,000, of which 31,800,000 were for passenger cars.

Recent estimates place amount of natural rubber to be imported into the United States during 1946 at a maximum of 250,000 tons. Recent price agreement with natural rubber producers set price of 23.5 cents per pound, f. o. b. far eastern ports, which would make the price approximately 25.5 cents per pound delivered at U. S. ports, and under the new agreement, the United States will apply to the combined rubber committee for allocation of 145,000 long tons of natural rubber from British, French and Dutch sources during the period July 1 to December 31, 1946. Price of Ceylon rubber continues at 30 cents under agreement expiring Sept. 30, 1946. While synthetic rubber is being produced in this country at an average price of 18.5 cents per pound, tire manufacturers are still desirous of obtaining all the natural rubber possible as the natural product must be mixed with synthetic to produce satisfactory heavy truck tires, and passenger car tire makers would also prefer to mix more of the natural with synthetic rubber. Although leaders in the tire industry agree that ultimately synthetic rubber wil be developed to the point where it can be used alone for practically all heavy duty purposes, they favor returning to the natural product when it becomes readily available. All synthetic tires are impractical for heavy duty uses as they cannot withstand the terrific heat and pressure generated by heavy loads and high speeds. Synthetic rubber production capacity in the United States is estimated at 800,000 tons as against average consumption in pre-war years of slightly over 600,000 tons and estimated present annual normal requirements of approximately 900,000 tons for all uses. It is estimated by the industry that tire production will be ample to take care of all requirements by the end of this year and increasing emphasis will be made on chemical research and new product development. Production of all synthetic types of rubber in 1945 including GR-S, GR-1, GR-M (Neoprene) and N amounted to 830,000 tons as compared with 773,000 tons in 1944, production of reclaimed rubber 242,000 tons against 260,000, and natural rubber 137,000 against 107,000. Consumption of all synthetic types in 1945 was 777,000, reclaimed rubber 254,000 and natural

rubber 112,000 tons. Stocks at end of 1945 were 196,000 for synthetic, 30,000 for reclaimed and 118,000 for natural rubber. Estimated 1946 demand for GR-S synthetic was 679,000 as against expected production of 615,000 tons, due to shortage of butadiene. Expected production from petroleum was 550,000 tons with the balance to come from alcohol, but under present world conditions, alcohol cannot be used.

Mechanical Rubber Goods

Sales of mechanical rubber goods, second in importance and size to tire manufacturing, are expected to exceed $92 million this year for an all time high sales record and compare with sales of $68,320,718 in 1941. Mechanical rubber goods include rubber hose, transmission and conveyor belts and rollers, parts for railway cars, farm implements, electric motors, *(Please turn to page 600)*

Pertinent Statistics on Leading Rubber Companies

	Net Per Share 1946 Interim	Net Per Share 1945	Net Per Share 1941-44 Average	Current Dividend*	1944 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	
American Hard Rubber....	N.A.	def.$4.31	$2.14	$ .25	$1.00	$26	—	.9%	C+3	First half poor but considerable improvement should be made in last half due to strike settlement and prospects of increased price ceilings, to offset wage increases. Poor dividend prospects for 1946.
Dayton Rubber (b).........	1.22 Apr. 6	1.87(a)	1.60	.72½	.50	27	14.4	2.7	C+3	Reduction of taxes and high demand for products make prospects bright for this company. Possible dividend increase.
Firestone Tire & R.......... X	6.09 Apr. 6	7.42	5.74	2.75	2.00	70	9.4	3.9	B1	Profits for first six months almost double preceding year. With better profit margins and lower taxes, prospects for last half bright. Dividend increase possible.
General Tire & R............ X	N.A.	2.20	2.76	1.00	1.00	49	22.2	2.0	C+3	Sales for first half exceed best prewar year, and with better prices and lower taxes, company should have a banner year. Prospects of dividend increase.
Goodrich, B. F................ X	N.A.	7.84	6.42	2.75	2.00	73	9.3	3.8	B2	Record peacetime sales prospects and lower taxes forecast much higher profits. Prospects of higher dividends.
Goodyear Tire & R........ X	N.A.	5.87	6.25	2.50	2.00	63	10.7	4.0	B2	First quarter sales almost double like period of 1941 and with lower taxes and better profit margins on civilian business, should result in greatly increased earnings and higher dividends possible.
Hewitt-Robins	def. 1.50 Mr. 3	2.30	2.85	1.00	1.00	29	2.6	3.4	C+3	High demand for company's industrial products such as hose, belting, etc., with lower taxes and better profit margins should overcome 1st quarter deficit. Dividend maintenance seen.
Intercontinental Rubber..	N.A.	.67	.79	.35	.35	9	3.4	3.9	C+2	Dividend maintenance seen.
Kleinert Rubber...............	N.A.	1.46	2.05	1.00	1.00	27	18.5	3.7	C+2	High demand for company's products and lower taxes should result in better earnings and higher dividends.
Lee Rubber & Tire......... X	4.74 Apr. 6	5.00	3.09	2.75	2.25	68	13.6	4.0	B1	Larger earnings shown in first half of fiscal year, with considerably better results anticipated for last half and should result in increased dividends.
Nat'l. Rubber Mach.........	N.A.	3.99	2.19	1.00	1.00	19	4.8	5.2	C1	Prospects bright for favorable earnings and maintained or increased dividend rate.
Norwalk Tire & R..........	1.01 Mr. 6	.95	.53	.50	.40	16	16.9	3.1	C1	Better earnings and increased dividends anticipated.
Seiberling Rubber...........	.92 Mr. 3	1.33	1.89	.50	.25	21	15.8	2.4	B—2	First quarter earnings almost double similar quarter of preceding year and should result in increased dividends, with last half prospects bright.
U. S. Rubber.................... X	4.15 Je. 6	4.44	4.45	2.75	2.00	71	16.0	3.9	B—3	Considerable increase in profits shown for first half of 1946 over preceding year with last half prospects good. Substantial year-end extra dividend possible.

*12 months-to-date; Mr. 3—3 months ended March 31; Apr. 6—6 months ended Apr. 30; Je. 6—6 months ended June 30; (a) After accelerated amortization, before net was $.75; (b) All figures adjusted for 2-for-1 split effected Jan. 9, 1946; def.—deficit; N.A.—Not Available.

Photo by Press Association

New postwar products and processes stand to give metal fabricators a place in the sun of peacetime markets. But shortages of some metals and a plenitude of others present a diverse production outlook in individual cases.

Diverse Outlook For . . .

METAL FABRICATORS

By PHILIP DOBBS

METAL FABRICATORS are situated among that romantic category of industries known as the "prince and pauper" type. Which is to say that sales and earnings jump or fall sharply in various stages of the business cycle, and hence are characterized by pronounced instability. This trait of the metal fabricating industry is of particular interest at present because a likely revival of industrial production from the spring depths entails a signal change for the better in the fortunes of the group as a whole.

Apart from this generalization, however, the industry includes such a varied use of non-ferrous metals—copper, brass, nickel, chromium, tantalum, aluminum and silver—, and a diversity of products ranging from producers to consumer goods, that the outlook for any group or company differs markedly according to available supplies of each metal and kind of article manufactured.

Silverware manufacturers, for instance, stand in the best spot in the list from the viewpoint of demand, rising supplies of silver, and profits margins. A sellers' market of tremendous proportions undoubtedly prevails for International Silver Company and Gorham Manufacturing Company. During the war all silver production was chained to munitions purposes; so that no silver tableware was produced. Consequently, a backlog of four years' normay demand has accumulated in addition to fresh demand created by the notable rise in marriages since 1941. The two companies can sell to the hilt of productive capacity and more without much promotional effort.

Because of lack of silver, due to Congressional failure to expedite the flow of Treasury "free" silver to industrial users, silverware production was restricted in the second quarter of 1946. Now that President Truman has signed the bill raising the price of the metal from 71.11 cents to 91 cents an ounce, Secretary of the Treasury Snyder will at once furnish some 50,000,000 ounces of Treasury unpledged silver and will raise this amount to over 100,000,000 ounces in about a year. As silverware manufacturers will require 70,000,000 ounces of the metal this year, the supply situation will improve radically to the benefit of production.

Presumably, selling prices will be adjusted to compensate for the higher silver price. Profit margins are wide enough to withstand cost increases, and unit costs of production will fall as output grows. Profitable operations, full production, and sharply lower tax rates may very well add up to record earnings for both companies.

Bohn Aluminum's prospects also can be singled out as particularly bright. (*Please turn to page* 602)

Financial Data on Metal Fabricators

	Net Per Share 1946 Interim	Net Per Share Fiscal Year 1945	Net Per Share 1941-44 Average	Current Dividend*	1944 Dividend	Recent Price	Price Earnings Ratio	Dividend Yield	Investment Rating	COMMENTS
Anaconda Wire & Cable........	$.01Mr3	$1.53	$3.84	$1.00	$1.00	$50	32.6	2.0%	C+3	Expansion of the public utility industry, the largest outlet for the company's products, promises high-level sales. Dividend of $1 should be maintained in view of smaller tax liability and discontinuance of special amortization charges.
Bohn Aluminum X	.18Mr3	......	5.82	2.75	3.00	58	......	4.7	B3	Excellent sales and earnings outlook likely will result in an increased dividend.
Bridgeport Brass	.44Je6	.75	1.46	.60	.90	18	12.3	3.3	C+3	Though earnings stand to increase, a rise in the annual $0.60 dividend rate may be hampered by the $6,000,000 outlay for plant expansion.
Driver-Harris	......	3.15	4.95	2.40	2.40	59	18.7	4.0	B3	Large backlog of orders and readily available supplies of nickel and chromium assure mounting sales in the second half of this year. 1940-45 dividend rate of $2.40, highest since 1920, most likely will be kept.
Fansteel Metallurgical (a)....	......	1.57	2.10	.12½	.12½	28	13.3	.4	C+3	Wartime enlarged uses for tantalum, of which rare metal the company is the sole U.S. producer and processor, bids fair to lift sales far above pre-war years. Elimination of the preferred stock will benefit the common, and the current dividend should be maintained.
General Alloys	......	.03	.03	Nil	Nil	5½	183.0	....	C2	Larger sales await rising automobile production. However, the extremely poor wartime earnings record makes a dividend payment inconceivable in the future.
General Cable	def. .77Je6	.44	.34	Nil	Nil	12	35.2	....	C3	The large deficit incurred in the first half of 1946 hardly makes possible initiation of common dividends this year.
Gorham Mfg.	......	3.01Ja	3.55	3.25	3.00	58	19.2	5.6	C+3	Brilliant sales prospects hold out hope for exceptional earnings and an increased dividend.
International Silver (b)........ X	3.79Je6	2.55	2.30	1.50	1.00	57	22.4	2.6	A1	Earnings in the first six months of 1946 exceeded total 1945 profits. Prospects for a higher dividend, therefore, are bright.
Mueller Brass	.75My6	3.48	4.50	1.60	1.60	55	15.8	2.9	C+3	Dividend at least should be maintained, but the possibility of a slight increase rests on attainment of improved earnings in the second half of 1946.
Ohio Brass	......	1.83	1.99	2.00	1.80	40	21.8	5.0	C+2	Current generous dividend rate mitigates against an increase in payments.
Revere Copper & Brass...	def. .36Mr3	.32	1.51	Nil	Nil	28	90.8	....	C+3	Initiation of common stock dividends is not brought nearer by the deficit in the first quarter of 1946 and by the improbability of significantly larger full year earnings over 1945.
Rome Cable X	1.23Je3	2.39Mr	2.01	.85	.60	27	11.2	3.1	C+2	Well-maintained earnings for the first half of 1946 promise a full year's total surpassing 1945. Likelihood, therefore, favors a higher dividend rate.
Scovill Mfg. .... W	......	2.27	3.29	1.80	2.00	43	18.9	4.2	B3	Large deferred demand for the company's brass industrial and consumers goods should see a rise in earnings; so that restoration of the 1941-44 dividend rate of $2.00 from the current rate of $1.60 appears probable.

*12 months to date. Mr—Fiscal year ended March 31, 1946. Ja—Fiscal year ended January 31, 1946.
(a) All figures adjusted to reflect 2-for-1 split effected February 27, 1946.
(b) All Figures adjusted to reflect 4-for-1 split e ffected June 27, 1946.
Mr3—3 months ended March 31. My6—6months ended May 30. Je3—3 months ended June 30. Je6—6 months ended June 30.

Opportunities...

for Income and Price Appreciation

IN BONDS And PREFERRED STOCKS

By JACKSON D. NORWOOD

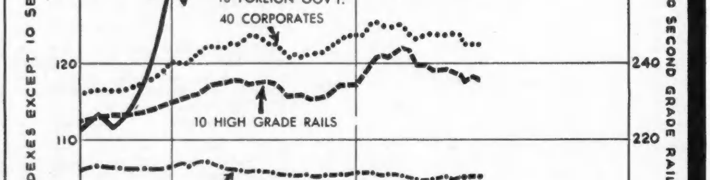
THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On July 27	On August 3	
40 Domestic Corporate Issues	122.6	122.6	
10 High Grade Rails	118.0	117.8	— .2
10 Second Grade Rails	281.1	281.7	+ .6
10 High Grade Utilities	99.1	99.3	+ .2
10 High Grade Industrials	105.4	105.4	.
10 Foreign Governments	130.6	130.6	

Action of the bond market continues to follow the pattern established in recent weeks, namely, minor price changes, and a tendency to follow the stock list very closely. Thus, the recovery movement of the latter had its counterpart in the bond group, with slight gains recorded on moderate volume. High grades, meanwhile, continue fairly firm, having stabilized relatively well after their sell-off on the rise in loan rates last month.

The rail lien market deserves careful attention at this time, particularly with reference to the second grade and junior obligations. As the chart indicates, this group has declined considerably from its recent highs, and further recession would not be surprising. Underlying this prospect is the now familiar plight of many carriers, whose "railway net" is being squeezed between declining revenues on the one hand and rising operating costs on the other. For these and similar reasons, a policy of caution and reserve with respect to this group is counseled.

However, the speculative position of certain junior issues is somewhat improved by Congress' recent action on certain roads: Missouri Pacific, Rock Island, Frisco, St. Louis Southwestern, International Great Northern and New Orleans, and Texas and Mexico, a change in the reorganization status of these lines having been legislated.



INFLATION HEDGES

For those who wish protection against inflation and at the same time assurance of fair yield, the convertible preferred stock is a desirable medium, assuring a steady income and at the same time being an option, or call on the common stock. From time to time we shall mention a few of these stocks with brief comment thereon.

MEAD CORP. $2.00 2nd CUMULATIVE PREFERRED: Convertible into common at the rate of one preferred share for two common shares. Preferred was issued recently at $53 a share for purpose of raising additional capital for expansion program. Company is one of the fastest growing units in the paper

industry and earnings for the 24 weeks ended June 15, 1946 amounted to $1,276,118 equal after preferred dividend requirements, to $1.51 a share on 707,394 shares of common stock, comparing with $511,262 or 43 cents a common share in like period of preceding year. Common stock is currently selling at 26½ per share and at this price, minimum valuation of the 2nd preferred would be $53 a share. Earnings for first half of 1946 exceeded those of entire year 1945. Preferred stock has been approved for listing on the New York Stock Exchange and will take effect shortly.

ELECTRIC BOAT CO. $2.00 CUMULATIVE CONVERTIBLE PREFERRED, convertible share for share into common stock. Yield at current price between 42 and 43 is about 4¾ per cent with dividend fairly secure and an option on the common stock. Company has been using its ample working capital to expand into many new fields of activity in addition to assurance of adequate submarine repair and service business, with good prospects of new submarine business as well. Revolutionary new automatic pinsetter alone has tremendous possibilities.

Suggestions for Current Investment Funds

Bonds:	Price Recent	Price Call	Yield Current
Amer. & For. Pwr. Deb. 5's, 2030	$108¾	$107½	4.5%
Boston & Albany R.R. Term Imp. 4¼s, '78	102	105	4.17
Missouri, Kan. & Tex. Ry. 1st 4s, '90	94	N.C.	4.25
N. Pacific Ref. & Imp. 5's, C, 2047	108	105*	4.6
Pittsb'gh & W. Va. 1st 4½'s, 1958-60	102	102	4.4
Southern Pacific Deb. 4½'s, 1981	110	110	4.1
Texas & Pacific Ry. Gen. & Ref. 3⅞, '85	104¾	105½	3.70
Preferred Stocks:			
General Cigar 7% Cum. Pfd.	$180	N.C.	3.9%
Goodyear Tire & Rub. $5 Cum.Cv.Pfd.	106	$110**	4.7
Lipton (Thos.) 6% Cum. Pfd. (Par $25)	30	30	5.0
Pacific Gas & Elec. 5½% Cum. 1st Pfd. (Par $25)	40	N.C.	3.4
Union Pacific 4% Non-Cum. Pfd.	117	N.C.	3.4
Virginian Rwy. 6% Cum. Pfd. (Par. $25)	43	N.C.	3.5

N.C.—Not Callable. *Not prior to July 1, 1952.
**To 10/1/46; thereafter at 105.

MORRIS & ESSEX RAILROAD: First and refunding 3½s of 2000 current selling at 69 with a better than 5 per cent yield. Issued to the extent of $35,000,000 and is secured by direct first mortgage on 125.26 miles of road, also on all other railroads owned, constructed or acquired, together with structures, lands, equipment, buildings, waterfronts, wharves, piers and docks, privileges, appurtenances and franchises, including lands, yards and buildings at Secaucus, Jersey City and Hoboken, N. J., constituting the tidewater terminals of the Lackawanna System on New York Harbor. Mileage includes 84.30 miles from Phillipsburg, N. J. to Hoboken, N. J. and gives the Delaware, Lackawanna & Western Railroad access to New York City, and constitute Eastern Division of D. L. & W. Fixed charges have been considerably reduced as a result of recent mergers with leased and controlled lines and at present are slightly in excess of $5,000,000 as compared with almost $8,000,000 in 1940, and would have been covered in all years since 1932, except 1935 and 1938.

CENTRAL ILLINOIS PUBLIC SERVICE: Recapitalization plan provides for sale under competitive bidding of 150,000 shares of new cumulative preferred stock, dividend rate to be established. Offering is subject to rights of holders of company's presently outstanding preferred stock, who will be offered a share for share exchange. Shares of the old preferred held by Middle West Corp. would not participate. Old preferred not exchanged under the plan would be called for redemption at $110 a share plus accrued dividends.

MICHIGAN GAS & ELECTRIC CO.: Under refinancing program recently approved by the Securities and Exchange Commission, company will sell competitively $3,500,000 of first mortgage bonds, Series A, maturing June 1, 1976; 14,000 shares of cumulative preferred stock, par $100, subject to exchange offer to holders of presently outstanding prior lien and preferred stocks, and an additional $400,000 par amount of common stock. Proceeds from sales of these securities, together with treasury cash, would be used to redeem $3,500,000 of outstanding 3¾ per cent mortgage bonds, $375,000 face amount of 3½ per cent serial debentures and all shares of preference stocks not exchanged. Company will also issue to Harris Trust & Savings Bank $300,000 face amount of unsecured 2 per cent notes.

SOUTHWESTERN PUBLIC SERVICE CO.: Registered with the Securities and Exchange Commission for issue of $20,000,000 of first mortgage bonds, series due in 1976, which will be offered to the public at a price and through underwriters to be listed by amendment. Proceeds, together with other funds will be used to redeem $17,500,000 first mortgage 3⅛ series bonds due in 1947 at 106⅛ and to purchase the Dalhart group properties at $2,135,000 subject to closing adjustments.

SUN-RAY OIL CORP.: Investment banking group headed by Eastman, Dillon & Co., offered $20,000,000 20 year 2⅞ per cent debentures at 101⅛ per cent and accrued interest, to yield 2.80 per cent to maturity. Net proceeds from sale of the debentures and sale of common stock, together with proceeds from $10,000,000 ten year 1⅞ serial bank loan, will be applied to redemption of $12,350,000 principal amount of fifteen year 3¾ per cent debentures, due 1959 at (*Please turn to page* 604)

BUILDING Your Future Income

EDITORIAL:

Systematic Study

ONE REASON FOR the great progress and material achievement in this fortunate land is the high level of educational achievement of the American people. Never before in the history of mankind have there been so many opportunities for self-betterment and enlightenment, and what is particularly noteworthy, much of this education is obtainable at moderate cost, or at virtually no cost at all. The higher learning which, a generation or two ago, was deemed the birthright only of the well-to-do is now within the reach of all.

Thanks to the institution of the free "public" school system, which comprises both grade and secondary instruction, and low tuition colleges, our standard of education is rising all the time. Besides, there are innumerable opportunities for special courses, home study plans, and other informal means of self-improvement.

But all education—whether in the classroom and laboratory—or by home study and planned reading, must be directed to some practical end. One great defect in our otherwise splendid educational system is that so much of the curricular effort seems wasted. As the student moves into the higher realms of study, he is permitted wider choice in selection of subjects, but so frequently this is done willy-nilly and without serious planning for future needs. As a result, he so often leaves his Alma Mater nominally "educated", but with little practical training.

Nor does one's education end with formal graduation, as commencement speakers so rightly affirm. The man or woman who really gets ahead is the one who is constantly studying to meet the changing conditions of the business world or within his or her own chosen field of specialization. No profession or endeavor is ever static; change, in fact, is the keynote of all occupations, and the person who is equipped to meet changes through constant study is the one who will always be in the vanguard of his chosen vocation.

• This Department is dedicated to serve men in building up a reserve through every known means that will create stability—bringing the comforts and joys of life—and happiness.

It's our contribution, too, toward the firming of the foundation of our economy so that we will retain our status as free men and women in a new world.

To you, our subscribers, we extend an opportunity to assist in spreading this doctrine toward security and right thinking—in the schools and universities, and in your own homes and offices.

We are happy to cooperate and serve.

C. G. Wyckoff, Publisher.

Individual Achievement

Under Free Enterprise

By WILLIAM A. HOWELL

THE STORY OF EMIL SCHRAM is the typically American one of a farm boy rising to leadership in the financial community. But whereas most other "farm boys" in the American saga were born on the farm, Mr. Schram did not enter the agrarian scene until his twenty-first year. In 1915, Mr. Schram became manager of the Hartwell Ranch, a 4,600-acre holding in Hillview, Illinois and farming has occupied much his attention ever since.

Moving to Washington in June, 1933, Mr. Schram became associated with the Reconstruction Finance Corporation as Chief of the Drainage, Levee and Irrigation Division, having had wide experience in this field. From this post, he was advanced to a directorship of the RFC by appointment of President Roosevelt in 1936 and finally became Chairman of the Board of Directors in 1939.

While in Washington, Mr. Schram also served as President of the Board of Trustees of the Electric Home and Farm Authority, and as member of the Board of Trustees of the Federal National Mortgage Association and the Executive Committee of the Export-Import Bank. He was also a member of the National Power Policy Committee and Assistant Director in charge of operations of the Priorities Division of the Office of Production Management, and President of the Defense Plant Corporation.

• The Magazine of Wall Street is continuing herewith a new feature series dedicated to the proposition that only under a free economy can individual achivement be realized to its fullest degree. In this and following issues we are presenting brief biographical sketches on leaders in various fields of endeavor who can testify to the merits of free enterprise as opposed to a regimented economy.

EMIL SCHRAM

From farm manager to RFC chairman to president of the New York Stock Exchange, Mr. Schram, is a leading exponent of the opportunities inherent in the American system of Government.

This constantly broadening background, which brought him into contact with the higher echelons of finance, made Mr. Schram a very logical selection for the office of President of the New York Stock Exchange in May, 1941. Mr. Schram was able to bring to this high office a fresh viewpoint, largely because of his varied experience with government, agriculture, business management and finance.

But despite his leadership in the investment world, Mr. Schram still retains strong sentimental and financial ties with agriculture. He owns farm properties in Illinois and Indiana. It is his contention that our free enterprise system, which he earnestly champions, can learn much from the American farmer, who is the symbol of initiative and resourcefulness. Owning his own tract of land and responsible only to himself, the farmer has a stake in the community which makes him stable and self-reliant, and as such he is not likely to be regimented or swayed by radical political doctrines. And with his attachment to his church, his home and community, he is a bulwark of those ideals upon which our system is built.

LIFE Insurance For the *Younger Generation*

By EDWIN A. MULLER

LIFE INSURANCE is oftimes discussed as a medium of investment and thrift for the older individuals, but if it performs an economic function for such individuals it can likewise do the same for the younger generation. In recent years most life insurance contracts effected on youngsters were issued on the so-called Industrial Plan, with a very small premium and proportionately small life insurance policy. In most cases these policies were obtained to enable the families to cover the unexpected burdens incident to the death and burial of the individual child. However, legislation has been enacted to permit more substantial policies to be written on the lives of children and on minors.

Children should be taught that thrift is a habit which always brings its rewards. One of the best ways of cultivating this habit is thru the medium of life insurance with systematic savings for future needs. Teach the child the practice of thrift and show him that life insurance premiums are a means of establishing such a program with guaranteed savings by contract, to meet future needs and opportunities in life, which otherwise may be lost.

Value Taught to Children

Former President Coolidge said: "I urge every father and mother as they are interested in the future of their children to see that they are taught the purpose and value of life insurance. Parents should help their children take out policies at as early an age as possible. Taking out such policies and then turning them over to the children as soon as they are self-supporting, starts them out in life with a gift of real value and assists them in acquiring early a sense of responsibility and habit of saving which will help them throughout their lives."

There are numerous needs for youngsters which can be fulfilled by life insurance; such as college education, travel, education for special talents as music and art, and finally, accumulation of a savings plan. Most parents will realize how much more

Photo by Press

Life Insurance at an early age will offer the greatest eventual protection. Accident insurance too is a wise precaution.

beneficial financially the children would be if they had begun a comprehensive life insurance program in their youth. As a matter of fact, never does a client fail to regret that his original policy had not been larger, and started earlier.

As one of the best ways to create an estate let us consider the Life Insurance plan. Assume further that the individual is ten or fifteen years of age. In establishing this policy, Dad can do a most helpful and important job for his son, a job which the boy will not be able to do for himself until later in life. If the son waits until he is age 25, and provided he can qualify, he may have to pay 30% to 40% *more* and his results at age 65 will be about 30% to 40% *less*. It must further be borne in mind that when Dad himself was a boy, interest of between 4% and 5% could be earned. Hence, to provide $100 monthly income at age 65 he needed only to accumulate between $24,000 and $30,000. In addition income taxes were smaller. Now consider that your son's future interest rates today vary between 2% and 2½%. Hence it will be necessary to accumulate $48,000 to $60,000 to provide $100 monthly income at age 65. This will be more difficult to achieve since income taxes are higher and will probably remain so for some time in the forseeable future. The following (*Please turn to page* 607)

Problems Involved IN Capital Building TO-DAY

By JOHN DURAND

The New York Stock Exchange

In initiating this series of capital building programs, we shall be presenting various plans and formulae for augmenting and conserving financial resources. These programs will be specific, and based upon time-tested methods, but we also recognize that individual investment programs vary, and that no two situations are quite alike. Hence, the reader will have to judge for himself to what extent a given plan must be modified to suit his own particular requirements.

We also feel that the logical approach to this series would be to outline some of the broad principles upon which sound capital building must be based regardless of the specific program selected. Accordingly, in this article, we consider some of the difficulties encountered in capital building under present-day circumstances.

Increasing one's capital or net worth these days is a much more difficult accomplishment than it was in times past. Obstacles now exist which were not present before, or which had only minor significance previously. Any individual capital plan must take cognizance of these.

For one thing, our present tax structure makes it impossible to retain a large proportion of one's current income, and with steeply graduated tax schedules, those in the "upper brackets" feel the pinch most acutely. And, as we shall be paying off the costs of war for years to come, no one can foretell when and if real relief will come, although the load may be moderated to some degree in the next year or two.

Quite as important as the income tax, or possibly even more so, to the investor, is the present status of our capital gains levy, whereby transactions of less than six months duration are charged as income, and thus subject to the high surcharge rates for many investors, as contrasted with the more moderate capital gains tax. Just when this ruling might be eased is not clear, for it is fraught with political as well as economic considerations, and any change is said to be strongly opposed by organized labor.

Another factor to be considered is the curious nature of our present business cycle. With the present bull market nearly five years old, chances for substantial appreciation from here on are naturally greatly diminished, and a policy of caution and selectivity is indicated. Yet, we are in a period of price inflation which has yet to reach its climax, so that the major problem is that of concentrating on those securities least vulnerable to inflation-damage. Added to all this is the boom in business activity in many lines, which promises to carry well into 1947. But because business is booming does not necessarily mean that the securities markets will follow suit, and the major question of the day is to what extent such prosperity may have been discounted by the prolonged bull market witnessed to date.

Another problem to be considered in capital management is the trend of money rates. Return on capital has been in a bear market for over a decade, as a result of which yields on high grade investments and interest rates dropped to record lows. But this situation trend appears to have already reached its climax and to have reversed itself, so that moderately higher rates of return may be forthcoming in the future. This is a factor too of particular importance to those investing in bonds and high-grade preferred stocks. (*Please turn to page* 608)

FOR PROFIT AND INCOME

The Odds

In the month of August the Dow-Jones industrial average advanced, more or less, in 29 out of the last 40 years. For September the 40-year record is 22 ups and 18 downs. September, thus, has been a "keep-your-fingers-crossed" month. Its record is worse than the statistics imply. Bear in mind that bull markets have had an average duration over twice that of bear markets. Therefore, over a long period of years, any month should see about twice as many advances as declines. So examined, the September record has been worse than normal expectancy, that of August about 45% better than normal expectancy. The fairly numerous exceptions merely prove the rule. June and July both brought declines, although the seasonal bias was upward. September has often been a corrective month because of July-August speculation. What has happened this summer to date is not calculated to send the market past Labor Day in a weakened technical position. If the last month of the third quarter is poor or indifferent, it probably will be for non-technical reasons this year.

Tobaccos

Taking advantage of the suspension of price control — which could be reimposed by the Decontrol Board after August 20, but which probably will not be— Liggett & Myers raised the price of cigarettes by 22 cents a thousand, evidently believing that competitors would follow suit. They did not. So, probably with red faces, L. & M. rescinded their price boost. The situation is foggy. Maybe the others want to see the Decontrol Board in action for a while before venturing to raise prices. Maybe there is an anti-trust angle. (Refusal to join Liggett & Myers in hiking prices proves they are not in cahoots, doesn't it?) Maybe American Tobacco thinks profits will be good enough on the basis of the 25-cents a thousand price increase granted by OPA late in the spring. This column thinks prices of the stocks are about high enough on present earning power, though it could be expanded sharply if a general price boost does eventuate later in the year. Some analysts say it is probable, others that it is possible. We will wait and see, without present enthusiasm for tobacco stocks.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
American Locomotive	6 mos. June 30	$1.82	$1.61
Consolidated Cigar	6 mos. June 30	1.81	1.68
General Foods	6 mos. June 30	1.51	1.44
Hinde & Dauch Paper	6 mos. June 30	1.80	1.58
Lambert Co.	6 mos. June 30	2.84	1.76
Life Savers	6 mos. June 30	1.30	.89
Lily-Tulip Cup	6 mos. June 30	2.23	2.00
McCall	6 mos. June 30	3.98	1.84
National Lead	6 mos. June 30	1.31	.79
National Steel	6 mos. June 30	3.45	3.12

Sterling Drug

In the half-year ended June 30 Sterling Drug set a new all-time profit record for any six-month period. Net equalled $1.94 a share on the common, compared with $1.48 for the first half of last year. Earnings for the year should be at least $3.75 a share, maybe around $4. The stock is on a $2 dividend basis, yielding about 3.7% as this is written. However, in good prewar years,

this strong company usually paid out some three-quarters of its earnings. Hence, the profit projection for the year might suggest a boost in payments to around $2.70 to $3. Even at $2.50, the yield at present price would be over 4.6%. The stock rates as a rather conservative investment issue, with the company's relatively new ventures in the ethical drug field holding long-term growth promise. Available at reaction prices, the equity appears to offer solid and attractive values for long-pull retention.

Here and There

With sales now rising, National Cash Register will earn in the neighborhood of $1.75 a share this year, against $1.33 in 1945 . . . This is the 91st consecutive year of dividends by Scovill Manufacturing, fabricator of some 15,000 items out of metal alloys and the epitome of "Yankee ingenuity" . . . Marshall Field profits will top $7 a share this year but the stock stays stuck at seven times that figure or thereabouts . . . National Lead Company's earnings are rising nicely and in relation to near-term and long-term prospects the stock is among the more reasonably-priced quality issues . . . Revere Copper & Brass may get on a dividend basis, for the first time, before the year is out . . . Autos remain among the worst-acting stocks, liquors among the best.

Steel Earnings

By and large, the second quarter earnings of the steel industry suggest that there is no urgent need for higher prices at the moment, though some adjustments here and there may be permitted. At present high volume, well-situated companies can do all right. To cite a single example, American Rolling Mill, still priced under 40, appears to be earning at an annual rate of about $6 a share. The biggest handicap is a tight scrap situation, throughout the industry, but it is partly due to a price factor and should be subject to correction. The steels for some time have been acting "better than the market." They usually do in the later phases of every bull market.

S. O. of Cal.

Around 57 as we write, Standard Oil of California seems to this column to offer investment buyers pretty solid values. Proven domestic reserves exceed 1.1 billion barrels or over 80 barrels per share of stock with a gross worth at current prices of over $140 a share, when extracted. There are large foreign holdings, roughly estimated at 2.5 billion barrels in reserves. The stated book value at the end of last year was $50.36 a share, or but modestly under the price of the stock. Current earning power appears to be in the vicinity of $4.50 a share, with a rise to $6 or $7 likely over the next year or two. The latest quarterly dividend was boosted to 65 cents, against 50 cents paid for several years. This suggests a $2.60 annual rate, although the company does not commit itself to a fixed policy on payments despite which it paid good dividends even in the worst depression years. At a $2.60 indicated rate the stock yields 4.56% return, sells at less than 13 times current share earnings, sells at less than 10 times reasonably probable 1947 earnings. On the facts cited—plus strongly indicated position and good long-term growth prospects—the stock looks like a good buy for conservative funds.

Hunt Foods

Hunt Foods, formerly Hunt Brothers Packing, seems to be going places under an aggressive management. Like most "growth situations," the back record of earnings is mediocre. No dividends have yet been paid. None seems in early prospect, since cash will be needed to finance further expansion. Sales were only a bit over $5 million in 1936. They jumped to $9.8 million by 1942 and to $16.2 million for the last fiscal year. With benefit of recent acquisitions, they should more than double the last-named figure this year. Earnings were $1.45 a share last year, but with larger sales and lower taxes they jumped to $2 a share for the three months ended May 31. That would seem to justify a forecast of at least $6 to $7 in the present fiscal year, and maybe more. The unseasoned stock is listed on the Big Board, and is now around 39, against 1946 range of 49½-36¾. It is plenty speculative, once (1938) having sold on the San Francisco Exchange as low as 23 cents a share. Growth propositions are always speculative in their formative years. If they pay off at all, it is usually big. Some fortunes have been made by permanent retention of stocks of growing companies. Few have been made in speculating on short-term — or even cyclical — ups and downs in prices.

Trade Stocks

As we have noted before, the boom in retail trade—with fancy earnings—is very likely good for some time to come. But it is no longer possible to appraise the stocks in terms of probable sales, margins and earnings. This has become a "market situation." It is doubted that earnings can improve much, if any, on present excellent figures, which takes away much of the speculative al-

(*Please turn to page* 607)

DECLINES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
Bigelow-Sanford Carpet	6 mos. June 30	$.45	$1.46
Campbell & Wyant Cannon F	6 mos. June 30	.65	1.09
Continental Oil	6 mos. June 30	1.17	1.89
Holland Furnace	6 mos. June 30	.37	.44
Koppers Co.	6 mos. June 30	.06	1.04
Magma Copper	6 mos. June 30	.77	.94
Remington Arms	6 mos. June 30	.06	.14
Union Oil of California	6 mos. June 30	.72	1.15
U. S. Pipe & Foundry	6 mos. June 30	.54	1.34
Westvaco Chlorine	6 mos. June 30	1.04	1.18

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Lehman Corp.

I see that Lenman Corp paid dividends totaling $6.35 per share for the year. As the yield at the current market price is high, please advise in regard to this corporation.

M.C. Red Bank, N. J.

Of the total dividends of $6.35 per share paid by Lehman Corp. during the past fiscal year, $5.00 per share was paid from profits realized on the sale of investments, and has been designated as a "capital gain dividend" while $1.35 per share was paid from ordinary income. Thus, last year's payments cannot be considered a regular rate as dividends vary with capital gains and operating profits.

At the close of the fiscal year ended June 30, 1946, the net assets value of the capital stock was $59.02 a share, compared with $46.73 a share the preceding year.

Gross assets on June 30, 1946 amounted to $115,498,490, of which cash, receivables and Government bonds totaled $9,389,089, or 8.1 per cent. During the twelve months sales of portfolio securities excluding government bond transactions, exceeded purchases on balance by $12,347,086. The largest concentration of investments at the year-end continued to be in public utility securities, valued at $23,292,721, followed by $17,382,500 of oil securities and $11,419,975 of merchandise securities.

Net unrealized appreciation of assets on June 30 amounted to $50,783,149 after allowance for State and other taxes on unrealized appreciation. No allowance was made for Federal tax on this item, as the company has elected to be taxed as a regulated investment company.

Panhandle Producing & Refininig Co.

Being one of your subscribers, I would like to get some information on the Panhandle Producing & Refining Co. at Wichita Falls, Texas, as to amount of bonds, stock, outstanding or their capitalization and liabilities, together with their prospects.

B.T., Dallas, Texas

Panhandle Producing & Refining Co. was reorganized effective June 29, 1938, Company is engaged in the production and refining of oil and the marketing of oil products. Owns oil leases in whole or in part covering 13,300 acres of proven property in Wichita and other counties in Texas. The company also owns in whole or part leases on approximately 10,652 acres of undeveloped land in various counties of Texas and Oklahoma.

In consolidated balance sheet, as of March 31, 1946, total current assets amounted to $3,540,474; total current liabilities $2,577,107; leaving net current assets of $963,367. Long-term debt amounts to $2,367,612. There are 905,407 shares of common stock issued and outstanding of $1.00 par value.

Recent Annual earnings were as follows:

1942	$0.04
1943	.44
1944	.46
1945	.78

For the three months ended March 31, 1946, a deficit of 23 cents a share was reported. In May, 1946, new officials were elected and change in management is expected to work out beneficially for the company. However, the stock must be considered a speculation.

Mercantile Stores

Mercantile Stores formerly traded on the New York Curb Exchange has recently been listed on the New York Stock Exchange. Could you please give me some statistics on this company?

G. A. Richmond, Va.

Mercantile Stores Co., Inc. was incorporated in Delaware in 1919 succeeding Mercantile Stores Corp., which in turn was formed in 1914 to take over the old dry goods firm of H. B. Claflin Co. The company directly and through subsidiaries operates 17 complete department stores, 25 junior department stores and 56 branch stores.

After giving effect to the ten-for-one split of the common stock on December 26, 1945, the capitalization now is: Mortgage notes payable to bank by 1953 $115,000, 7% cumulative preferred stock $100 par value, outstanding 3668 shares and 1,481,220 shares of common stock outstanding (no par).

Net profit for fiscal year ended $1,810,901, equal to 1.21 a common share.

Keeping Abreast of Industrial and Company News

John R. Steelman, Reconversion Director ordered a 56 day moratorium from August 6, to October 1 on new Federal construction contracts and called for a $700 million reduction in Federal construction plans. Order does not apply to urgently needed hospitals for veterans, overseas military projects, public housing for veterans, construction of access roads to government owned timber lands and the "Manhattan" atom bomb project, and is designed to alleviate critical shortage of building materials for housing projects.

Jones & Laughlin Steel Corp. in a hearing before the U. S. Court of Appeals for the District of Columbia applied for a preliminary injunction to prevent the Government from extending its contract with the United Mine Workers to supervisory employees at four Jones & Laughlin western Pennsylvania coal mines. Company argued that irreparable damage will result if the contract is extended to mine foremen, with the union and Government maintaining that no damage will result.

Rubber consumption in the United States set a record of 493,261 long tons in the first six months of 1946, according to a report of the Rubber Manufacturers Association. A. J. Viles, president, predicted that the full year total will approach the million ton mark for the first time in history.

Dr. Willard H. Dow, president of Dow Chemical Co. in a letter to stockholders accompanying the annual report states, "As long as we continue to talk and think in terms of raising wages in order to meet the higher costs of living, nothing can stop the continually ascending spiral of inflation."

The Netherlands Government expects to import $340,000,000 in goods from the United States this year, according to a report of the Department of Commerce. Approximately $250,000,000 has been set aside by the Netherlands for industrial commodities and the rest for food and food producing items. Purchases will be financed by Export-Import Bank loans totaling $300,000,000 and recent unfreezing of Dutch assets in this country.

Irving S. Olds, chairman of the board of the United States Steel Corporation, estimated loss of the corporation due to the coal strike at $18,148,917 and direct cost of the steel strike earlier in the year at $27,887,000.

Sixteen proposals for purchase of the "Big" and "Little" inch pipelines were submitted to the War Assets Administration, ranging from $70,000,000 to $146,000,000, with one offer to lease the lines for forty years at a minimum rental of $6,500,000 or a total of not less than $260,000,000 over the period of the lease. Some of the bids called for conversion of the lines for transmission of natural gas to points along the Eastern Seaboard.

A huge backlog of orders for automobile replacement parts, principally for prewar models, is accumulating on the books of the automobile industry's production division, according to a survey just completed by the Automobile Manufacturers Assn. Replacement parts orders have jumped as much as 400 per cent over a year ago,

and parts virtually out of supply include crankshafts, connecting rod and main bearings, wormshafts and certain roller and ball bearings used in steering mechanisms, clutch throwout bearings, cylinder head gaskets, transmission parts, mufflers, brake drums and other items.

Harry A. Bullis, president of General Mills, Inc., stated in the company's annual report that volume of flour and package foods delivered by the company reached new peaks in the fiscal year ended May 31, last. Scarcity of grain caused a general slowing up of production during the final months of the year. A new automatic iron, first in a new line of home appliances is now in production and distribution will begin shortly throughout the country, and other items will follow. A number of new food products are also in prospect as well as several industrial products developed by company research. Under a $22,000,000 program for improvement of present facilities and additions running to June 1950, the company's research laboratories in Minneapolis are being substantially enlarged, and many new plants are being built, including three new soybean oil refining units and a plant for manufacturing polyamide resin from soybean oil.

Reynolds Metals Company announces entry into the furniture field with introduction of an aluminum dinette set, and a utility table with matching chairs, to be manufactured in the company's plants in Louisville and Pasadena. Sleek and modern in design, the five piece dinette set has frames made from inch square extruded aluminum tubing, anodized and etched to give it a soft and satiny finish. The 30 x 42 inch extension table has a five ply oak or mahogany top with a 12 inch leaf, seating four or six with plenty of room, and the chairs will be upholstered in top quality blue or mottled parchment colored leatherette and come in three styles. W. G. Reynolds, vice president of the company foresees aluminum frames replacing traditional wooden frames for upholstered chairs, sofas, beds and similar items.

Dun & Bradstreet Inc., report continuation of downtrend in bank clearings for week ending July 31, 1946, from preceding week, with a moderate gain over a year ago. Aggregate net for twenty four leading United States cities rose 11.9 per cent to $11,726,269,000 during the week ended July 31, from $10,476,538,000 in the 1945 week, and a drop from the preceding week of $615,334,000 or 5.0 per cent.

Under the new Price Control Act, the Office of Price Administration increased prices for all farm equipment and replacement parts an average of 6 per cent above ceiling levels of June 30. Increase is required to enable farm equipment dealers to realize the same percentage discounts and mark-ups as during peace-time.

K. T. Keller, president of Chrysler Corp. in a letter to stockholders accompanying report for the first six months of 1946, states, "Production volume continues to run substantially below pre-war levels, due primarily to the unavailability of materials caused largely by interruptions to the operations of industries which directly or indirectly supply us." He further states, "There seems to be no prospect that our operations in the immediately forseeable future will be conducted under conditions which could be properly described as normal."

The Office of Price Administration raised ceilings on cotton textiles an average of 16 per cent at the manufacturing level. New order will increase retail prices of cotton apparel 6 to 8 per cent and household linen and piece goods will rise an average of 17 per cent. The increase was effective over the ceiling prices in effect June 30, last.

The BUSINESS ANALYST

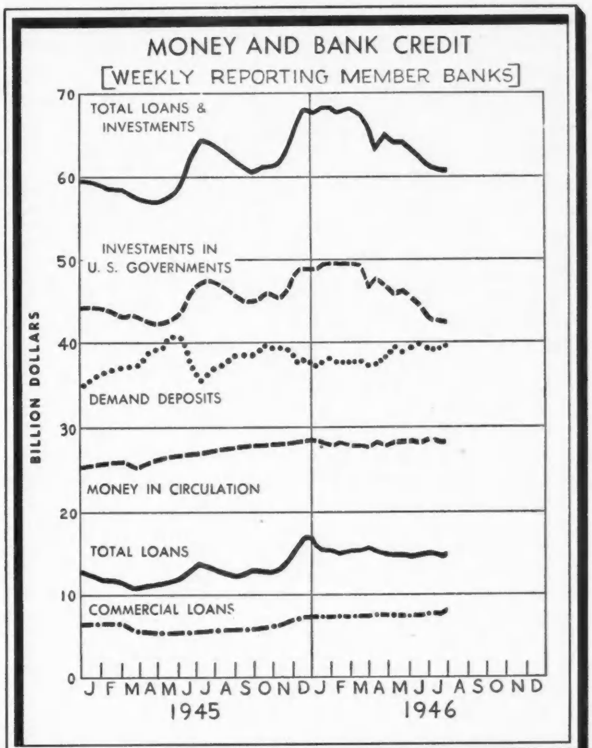
SUMMARY

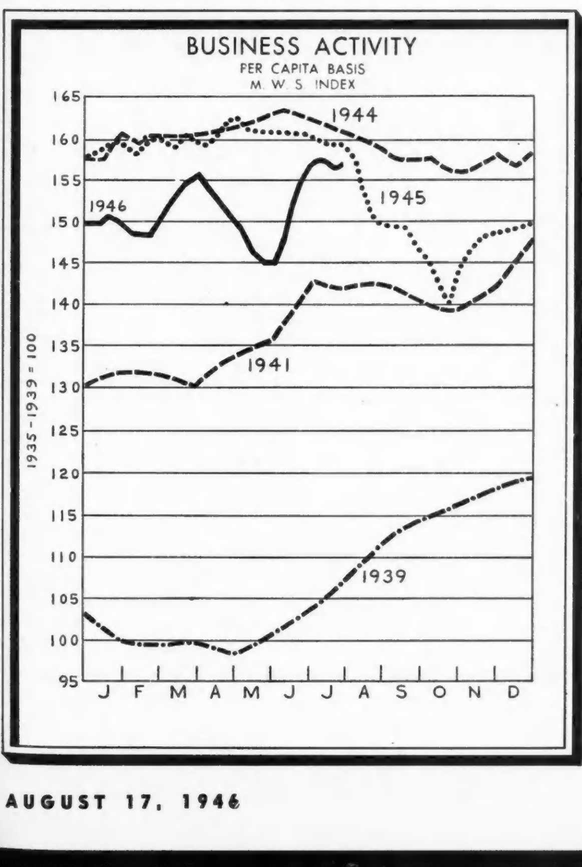
MONEY AND CREDIT—Administration hopes to pare deficit this year, aided by expected larger revenues; but is opposed to further tax reductions before 1948. In view of continued sag in Government bond prices, Treasury should conserve its cash balance.

TRADE—Manufacturers and wholesalers face the problem of adjusting to a buyers' market in many lines as high prices make consumers unwilling to buy profusely and more selective in their purchases. Specialty retail shops, such as women's dresses and liquor, particularly are being hurt by these developments; inasmuch as thrifty buying is curtailing sales.

INDUSTRY—Business activity now fractionally ahead of last year and only 2.5% below the all-time peak. Leading industrial corporations in industries not hit by major strikes earned 22.7% more on net worth during the first half than for the like period last year. 1946 calendar year profits will top last year by large margin. No major business depression in sight. New O. P. A. less socialistic than its predecessor.

COMMODITIES—Open market prices for grains mildly reactionary since revival of O. P. A. Anderson favors free markets. Prices for hides and non-ferrous metals rolled back to June 30 levels, but crude oil advanced 25c a barrel, and pig iron $2.00 a ton. Subsidies restored on copper, lead, zinc. Legal price for silver raised to 90.5 cents an ounce.





BUSINESS ACTIVITY expanded a trifle more during the fortnight ended Aug. 3, to a level fractionally higher than last year at this time and only 2.5% below its all-time peak touched during the first week of May, 1944. For the month of July, this publication's business index rose to 170.8% of its 1925-9 average, compared with 165.8 in June and 171.8 for July, 1945. On a per capita basis, our business index rose in July to 156.7% of its 1925-9 average, against 152.4 in June and 159.5 for July of last year.

* * *

DEPARTMENT STORES SALES in the week ended July 27 defied talk of a buyers' strike by leaping to 33% above the like period last year, compared with a cumulative increase of "only" 28% for the year to date.

* * *

With demand still expanding faster than supply, and little evidence of production for inventory building, fears of an early business depression appear unfounded. It is fashionable these days for advocates of more, or of less, Government control to predict dire business consequences if their views are not heeded. **Propagandists** are notoriously undependable forecasters.

* * *

There has been much talk of **Order Padding**; but recent investigations disclose that most of the duplication originates with prospective consumers rather than merchants. Purchasing agents say that whereas there is undoubtedly considerable snowballing of orders among householders for such items as electrical appliances, au-

(Please turn to following page)

Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
MILITARY EXPENDITURE (tf) $b	July 31	0.10	0.39	1.71	0.43
Cumulative from Mid-1940	July 31	340.4	340.3	297.7	14.3
FEDERAL GROSS DEBT—$b	July 31	268.3	267.8	262.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	July 31	39.4	39.4	37.4	24.3
Currency in Circulation	July 31	28.2	28.2	27.1	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	July 31	7.23	7.36	7.17	3.92
100 Other Cities—$b	July 31	8.46	8.38	8.32	5.57
INCOME PAYMENTS—$b (cd)	May	12.74	12.96	12.84	8.11
Salaries & Wages (cd)	May	8.61	8.54	9.52	5.56
Interest & Dividends (cd)	May	0.56	0.89	0.50	0.55
Farm Marketing Income (ag)	May	1.55	1.42	1.45	1.21
Includ'g Govt. Payments (ag)	May	1.66	1.57	1.52	1.28
CIVILIAN EMPLOYMENT (cb) m	June	56.7	55.3	53.5	52.6
Agricultural Employment (cb)	June	10.0	8.9	9.8	8.9
Employees, Manufacturing (lb)	June	12.8	12.7	14.5	13.8
Employees, Government (lb)	June	5.5	5.5	6.0	4.6
UNEMPLOYMENT (cb) m	June	2.6	2.3	1.0	3.4
FACTORY EMPLOYMENT (lb4)	June	138	137	157	147
Durable Goods	June	156	155	204	175
Non-Durable Goods	June	124	123	119	123
FACTORY PAYROLLS (lb)4	May	246	248	319	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	May	39.7	40.5	44.1	40.3
Hourly Wage (cents)	May	107.1	105.8	104.2	78.1
Weekly Wage ($)	May	42.46	42.87	46.02	31.79
PRICES—Wholesale (lb2)	July 27	124.1	124.2	105.8	92.2
Retail (cdlb)	May	145.6	144.8	141.0	116.2
COST OF LIVING (lb3)	May	131.5	130.9	128.1	110.2
Food	May	142.6	141.7	138.8	113.1
Clothing	May	155.4	154.3	144.6	113.8
Rent	May	108.4	108.4	108.3	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	May	7.85	7.71	6.15	4.72
Durable Goods	May	1.56	1.43	0.94	1.14
Non-Durable Goods	May	6.29	6.28	5.21	3.58
Dep't Store Sales (mrb)	May	0.70	0.69	0.50	0.40
Retail Sales Credit, End Mo. (rb2)	May	3.18	3.10	2.21	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	May	205	200	186	181
Durable Goods	May	218	214	177	221
Non-Durable Goods	May	198	192	192	157
Shipments (cd2)—Total	May	206	206	269	183
Durable Goods	May	209	204	361	220
Non-Durable Goods	May	204	208	206	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	May	28.5	28.1	26.7	26.7
Manufacturers'	May	17.0	16.8	16.2	15.2
Wholesalers'	May	4.4	4.4	3.9	4.6
Retailers'	May	7.1	6.9	6.6	7.2
Dept. Store Stocks (mrb)	May	1.6	1.5	1.4	1.4

PRESENT POSITION AND OUTLOOK

(Continued from page 593)

tomobiles and presently scarce articles of clothing, there has been little duplicating by purchasing agents.

For the next few months at least, industry is not likely to be harrassed by major **Strikes**; though the C.I.O. has already submitted new demands to the meat packers. Big union treasuries were drained nearly dry by the last strike wave, and labor aims to be on good behavior up to the November elections.

* *

Yet all is not clear sailing. The latest uncertainty is over policies of the resurrected O.P.A. The new set-up is generally believed to be less socialistic than the old; but if it runs true to bureacratic form, there will be inevitable delays in granting needed price relief. This wil promote speculative **Inventory Hoarding** and thus aggravate scarcities. But was there ever a time when business had no worries?

* *

The National City Bank has just released an unusually interesting compilation showing that net **Profits** reported for the first half of 345 leading corporations (other than rails and utilities) were at an average annual rate of only 9.1% on net worth, compared with 10.2% for the like period last year. Taken at face value, this is none too encouraging.

* *

But an entirely different picture—one to confound the pessimists while pointing an accusing finger at professional labor leaders—emerges after one has taken the pains to separate the free from the victimized. Of the 345 corporations, 83 are representative of four major strike-plagued industries—iron and steel, electrical equipment, automotive, and mining. Companies in these four industries reported profits for the first six months at an annual rate of only 2.3% on net worth, against 9% a year ago—a drop of 74%. The remaining 262 corporations, which were relatively **Strike-Free**, earned an average of 13.5%, against 11% last year—an increase of 22.7%. A few industries reported phenomenal increases — wholesale and retail trade, 138%; pulp and paper, 100%; Food Products, 50%; drugs and chemicals, 49%.

* *

The A. A. R. estimates that Class I **Railroads** earned $13 million in June, after charges, compared with $66 million in June, 1945. Deficit for six months was $27 million, compared with net income of $327 million for the like period last year. However, the O. P. A. opines that the I. C. C. will allow in due time a further boost of 10% in freight rates on top of the 6% raise recently granted.

Production and Transportation

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	July 27	156.5	156.0	159.2	141.8
(M. W. S.)—I—np	July 27	170.9	170.0	171.5	146.5
INDUSTRIAL PROD. (rb)—I—np	June	170	159	220	174
Mining	June	141	115	147	133
Durable Goods, Mfr.	June	192	175	308	215
Non-Durable Goods, Mfr.	June	161	160	173	141
CARLOADINGS—t—Total	July 27	911	921	886	833
Manufactures & Miscellaneous	July 27	386	384	391	379
Mdse. L. C. L.	July 27	121	120	104	156
Grain	July 27	59	64	68	43
ELEC. POWER Output (Kw.H.)m	July 27	4,352	4,293	4,435	3.267
SOFT COAL, Prod. (st) m	July 27	12.4	12.5	11.9	10.8
Cumulative from Jan. 1	July 27	279	267	341	446
Stocks, End Mo.	June	37.8	31.6	47.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	July 27	4.9	4.9	4.9	4.1
Gasoline Stocks	July 27	89	89	86	88
Fuel Oil Stocks	July 27	50	49	43	94
Heating Oil Stocks	July 27	44	43	36	55
LUMBER, Prod. (bd. ft.) m	July 27	506	475	499	632
Stocks, End. Mo. (bd. ft.) b	May	3.5	3.4	3.6	12.6
STEEL INGOT PROD. (st.) m	June	5.66	4.07	6.84	6.96
Cumulative from Jan. 1	June	27.4	21.7	43.1	74.7
ENGINEERING CONSTRUCTION AWARDS (en) $m	Aug. 1	116	141	76	94
Cumulative from Jan. 1	Aug. 1	3,284	3,168	1,125	5,692
MISCELLANEOUS					
Paperboard, New Orders(st)t	July 27	150	150	128	165
Hosiery Production (pairs)m	May	168	157	144	150
Footwear Production (pairs)m	May	49.3	49.4	43.8	34.8
Hide&Lthr. Stks., End Mo. (hds.)m	May	11.0	12.1	12.0	14.0
Portland Cement Prod. (bbls.)m	May	12.2	12.7	8.1	14.9
Machine Tool Shipments—$m	June	28.5	26.4	41.0	76.4

PRESENT POSITION AND OUTLOOK

Net profits after taxes reported by **Electric Utilities** for the first half totaled about $347 million—$79 million more than for the like period last year. Revenues for the six months were up $17 million; but operating expenses rose $22 million. The increased net was due to elimination of $61 million in excess profits taxes and a saving of $23 million in fixed charges consequent upon extensive bond refundings last year. While electric power output is still expanding, expenses are rising even faster, and there is always a possibility that Public Service Commissions of the various States may force further rate reductions.

* *

The Administration hopes to pare the **Federal Deficit** considerably this fiscal year, aided by expected larger revenues; but is opposed to further tax reductions before 1948. Nevertheless, it would seem prudent for the Treasury to cease further drafts upon its cash balance lest the time may come when the money will be needed to support the **Government Bond Market** where prices continue to sag. It is not going to be so easy in the future as during the war to float a new issue of long-term bonds without offering a higher coupon rate, and a higher yield would further depress prices for outstanding issues and so make it still harder to support the market.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. I—Seasonably adjusted Index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Streeet, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

No. of Issues (1925 Cl.—100)		1946 Indexes High	Low	July 27	Aug. 3
300	COMBINED AVERAGE	191.7	164.5	169.1	174.5
4	Agricultural Implements	265.7	204.9	223.4	236.1
11	Aircraft (1927 Cl—100)	284.4	224.1	224.1a	234.3
6	Air Lines(1934 Cl.—100)	1208.6	922.5	922.5a	1003.0
5	Amusement	218.6	143.7	178.4	188.1
15	Automobile Accessories	336.2	262.4	262.4a	274.1
11	Automobiles	62.2	50.1	50.1a	52.2
3	Baking (1926 Cl.—100)	26.0	21.1	24.5	25.0
3	Business Machines	360.3	286.1	321.7	330.0
2	Bus Lines(1926 Cl.—100)	229.9	176.3	199.5	213.0
4	Chemicals	290.2	238.3	263.1	273.0
2	Coal Mining	32.4	24.4	24.4a	24.6
4	Communication	99.7	73.8	73.8a	74.1
13	Construction	85.1	67.9	72.4	74.1
7	Containers	462.6	384.8	395.7	407.1
8	Copper & Brass	141.8	108.7	119.8	123.2
2	Dairy Products	81.5	64.6	72.6	74.0
5	Department Stores	132.9	89.7	102.1	110.3
5	Drugs & Toilet Articles	277.4	194.8	247.0	250.2
2	Finance Companies	313.9	268.9	285.2	292.6
7	Food Brands	236.4	205.5	221.3	224.4
2	Food Stores	100.3	73.8	87.5	88.1
3	Furniture	125.8	104.7	104.7a	109.0
3	Gold Mining	1346.1	961.1	961.1a	961.1

No.	(Nov. 14, 1936, Cl.—100)	High	Low	July 27	Aug. 3
100	HIGH PRICED STOCKS	112.55	97.62	101.73	104.89
100	LOW PRICED STOCKS	247.97	202.59	211.31	217.79
6	Investment Trust	84.1	70.0	71.6	74.6
3	Liquor (1927 Cl.—100)	1454.6	1000.2	1341.2	1403.6
8	Machinery	206.4	181.6	182.1	188.4
3	Mail Order	206.3	140.3	149.7	159.1
3	Meat Packing	132.7	111.4	119.5	120.7
13	Metals, non-Ferrous	299.7	232.1	233.3	239.7
3	Paper	44.0	32.7	40.7	42.0
23	Petroleum	227.0	175.1	213.7	218.9
20	Public Utilities	165.5	131.2	144.0	149.8
5	Radio (1927 Cl.—100)	42.0	30.2	30.2a	30.3
8	Railroad Equipment	110.6	94.8	91.4a	94.0
22	Railroads	40.8	32.9a	32.9a	33.4
3	Realty	56.7	36.3	36.9	37.4
2	Shipbuilding	178.8	122.5	150.4	148.7
3	Soft Drinks	647.0	567.9	573.6	593.5
12	Steel & Iron	149.3	119.1	137.6	143.6
3	Sugar	88.9	74.7	74.7a	77.7
2	Sulphur	295.3	241.7	263.2	269.0
3	Textiles	189.7	126.7	157.1	166.0
3	Tires & Rubber	51.9	42.5	44.6	46.7
5	Tobacco	99.6	86.8	91.0	94.1
2	Variety Stores	399.3	318.5	350.4	355.4
18	Unclass. (1945Cl.—100)	116.1	98.2	104.8	107.6

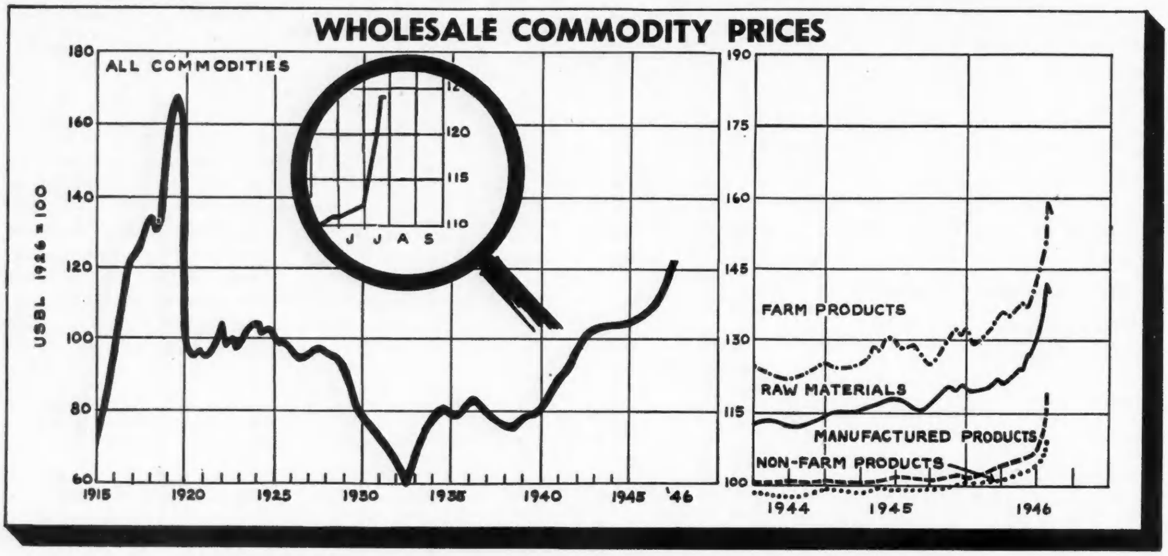
a—LOWEST since 1945.

Trend of Commodities

After a steady advance from 118.13 to 125.39 the Dow-Jones commodity futures index reacted and lost half of the gain. Cotton futures, which had reached a peak of 36.70, declined around 500 points. The re-instatement of OPA found the market in a weak technical position and for several days in a row prices were down the limit of 100 points. That limit has now been changed to 200 points and this should be sufficient to insure the execution of all orders. Grains were also responsible for the decline, with corn futures at Chicago reacting from 1.73 to 1.36½. Margin requirements were reduced from 50¢ to 25¢ per bu. With the crop movements under way throughout the country we should have more orderly action in the futures market. It is quite possible that the high reached in July will mark the peak for many years.

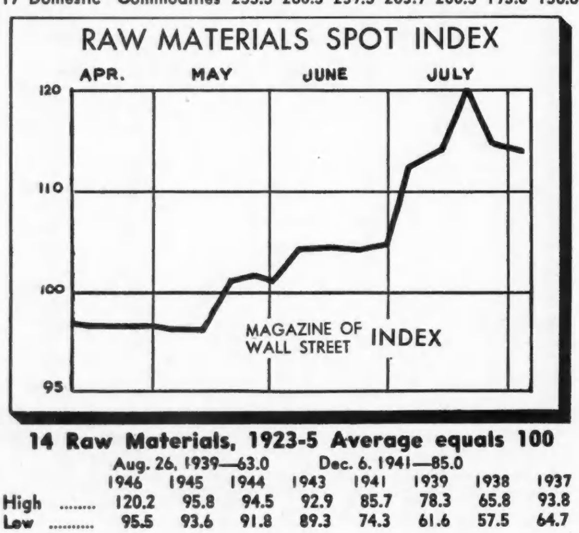
As shown in the chart under the magnifying glass the Bureau of Labor Statistics Index of Wholesale Commodity Prices moved straight up from 112.4 to 124.2. The first reaction came in the week ending July 27, when the index declined slightly to 124.0. This is just a temporary reaction, for the higher ceilings just allowed by OPA will soon be reflected in primary markets. We can see no indication of a top at this time. The chart on the right reveals the widening spread between farm products and non-farm products. We believe that the peak in the spread has been seen and that from now on agricultural prices will decline relative to non-agricultural prices.

Perhaps the best measure of the upward pressure on prices was the increase in the July farm parity index. The advance was the sharpest on record and carried the index well above the high reached after World War I but revival of OPA may help to slow down the advance.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equal 100

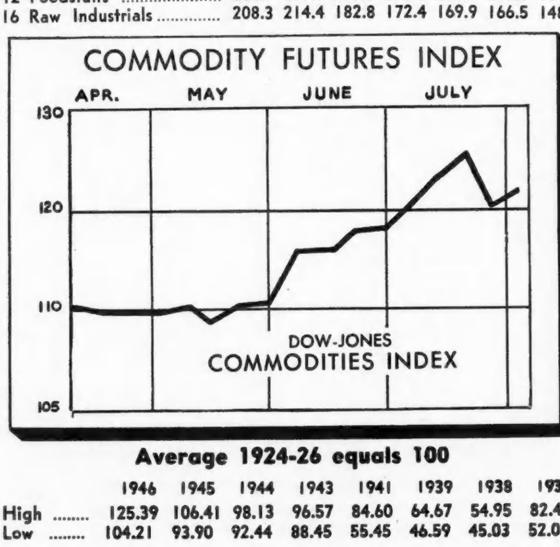
	Date Aug. 3	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	245.4	248.3	215.4	190.1	187.4	183.6	156.9
11 Import Commodities	230.7	230.6	182.8	170.7	168.9	168.9	157.5
17 Domestic Commodities	255.5	260.5	239.5	203.9	200.5	193.8	156.6
7 Domestic Agricultural	311.6	309.2	292.9	239.3	234.7	227.0	163.9
12 Foodstuffs	304.1	301.8	267.6	216.5	213.3	208.9	169.2
16 Raw Industrials	208.3	214.4	182.8	172.4	169.9	166.5	148.2



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0   Dec. 6, 1941—85.0

	1946	1945	1944	1943	1941	1939	1938	1937
High	120.2	95.8	94.5	92.9	85.7	78.3	65.8	93.8
Low	95.5	93.6	91.8	89.3	74.3	61.6	57.5	64.7



Average 1924-26 equals 100

	1946	1945	1944	1943	1941	1939	1938	1937
High	125.39	106.41	98.13	96.57	84.60	64.67	54.95	82.44
Low	104.21	93.90	92.44	88.45	55.45	46.59	45.03	52.03

COMMODITY HIGHLIGHTS

WOOL . . . Wool consumption in the United States continues to be maintained at record levels and should continue at this rate for the balance of the year. There will be some change in the type of fabrics produced. There are indications that the production of women's wear fabrics has passed its peak and will decline. Men's wear fabrics will continue in short supply.

The report of the production of 12 million men's and students' suits in the first half of 1946 was very encouraging. This was almost as many suits as were produced in the entire year of 1945. Output in the second quarter of the year was at a rate never before equalled by the industry. In order to help production for the balance of the year the OPA and CPA have extended the lining incentive to the end of the year. Rayon weavers are granted a 10 per cent price increase on their entire production. It may be recalled that the shortage of linings delayed suit production early in the year.

The return of OPA is not a factor in wool prices, for the need is not for ceilings, but for support prices. The world supply of wool is still of record proportions and indications point to an increase in the coming crop. Domestic wool prices are about 8¢ a pound above the world level, being supported there by the CCC. Domestic wool prices may be supported at current levels until the parity index declines sharply.

EGG FUTURES . . . With the ending of OPA on June 30 the price of all commodity futures except one advanced sharply. That one exception was eggs. From a high for the year of 45.90 for the November contract the market declined all through July and reached a low for the year at 37.05. The decline was such as to wipe out the margin of many traders ($1,200 per contract) and brought in much forced liquidation.

The reaction was due to the thought that the end of price ceilings on red meats would increase the supply and this in turn would decrease the demand for eggs. With storage stocks already high, it was thought that the supply of eggs would be greatly in excess of the demand. Perhaps a more important factor in the decline was the weak position of the futures market itself. Earlier in the season when grain futures were tight against the ceiling, the speculators turned to eggs. On May 16, trading reached a record of more than 31 million dozen. When prices started down in July, those who had purchased earlier started to unload. The catching of stop loss orders and the failure to meet margin calls hastened the decline. On July 16 a new record of trading (34½ million dozen) was reached.

The decline in egg futures prices was not justified by the facts. It appears likely that the market will reverse itself and get back to the 45¢ level. There is a very marked seasonal pattern of egg prices and that calls for sharply higher prices in the next few months. For example under the old OPA the ceiling on wholesale eggs at Chicago was 39.2¢ per dozen for the first week in July, 43.8¢ for the first week in August, 47.8¢ for the first week in September and 49.8¢ from October 24 to December 11. The ceiling on egg futures was to be 47.80¢ up to October 16 and 49.80¢ from October 24 on. These ceilings were set early in the year before recent sharp increases in parity.

Egg production in the first six months of the year was equal to that of a year ago. In June however, there was the first indication of a decline with production off 6 per cent. As of July 1 the number of young chickens on the farm was 15 per cent below a year ago. Since that time the farmer has reduced his flocks. In the first week of August poultry receipts were 57 per cent above a year ago at Central Western primary markets, while egg receipts were down 15 per cent. We look for a very tight supply situation in the last quarter of the year.

BUTTER . . . The butter situation cleared up in two weeks' time. Shelves which were bare of butter late in June were loaded by the middle of July. This was one case where the consumers' strike was effective. When prices advanced sharply, they just stopped buying.

Retail sales in the first half of August ran from 10 to 40 per cent below a year ago. Production is moving downward in a normal seasonal pattern, but the weekly losses compared with a year ago are growing smaller and smaller. Cold storage holdings are, of course, far below normal and it will take some time to build them up. Meanwhile heavy imports of coconut oil are helping to relieve the situation. All relief shipments of fats and oils will be halted on January 1. We look forward to plentiful supplies of butter and other fats in 1947.

Divergent Trends of the Chemicals

(*Continued from page* 574)

chemical manufacturers in scanning prospects for the second half year concern possible further labor troubles, shortages of equipment and of raw materials. As for difficulties with labor, the industry is of course fortunate in being extensively mechanized, total employment in this field constituting hardly more than one per cent of that in all manufacturing groups. With labor costs accordingly absorbing a relative small percentage of the sales dollar, satisfactory wage adjustments have generaly held strikes to a bare minimum in the industry thus far in the year. Exceptions to this rule naturally have occurred, as evidenced by a strike by more than 1450 employees in the Monsanto Chemical plants still unsettled since June 3 By and large, however, labor has caused very few work stoppages in chemical plants during the first six months.

Ideally, of course, chemical manufacturers must have ample supplies of certain basic chemicals, bought from outside sources, if they expect to keep production in balance with the mounting flood of orders now pouring in upon them. From this viewpoint sales might expand more rapidly in the near term, were it not for shortages of many essential components. As it happens, the supply situation is tight as to glycerine, linseed oil, butyl alcohol, resins, caustic soda, caffeine and alkalis, to mention only a few. Prices for some of these scarcities have stiffened, also, although general price stability characterizes most of the chemical markets. The main point is that although volume of the industry should remain high for the balance of the year, bottlenecks such as the above may prevent the advent of really record breaking deliveries. But looking ahead somewhat, this handicap only serves to build up backlog demand which in due course will prove profitable.

One favorable factor for the industry is that during the last half of 1946, a good many concerns will begin to use new facilities now nearing completion. Offhand it might be thought that some $2 billion new plants built during war years by private interests or by the Government would suffice to meet all the requirements of the industry for a long time to come. More realistically, a great proportion of these additions to capacity were designed for highly specialized use or located where economic operation seems impossible.

These new plants are planned with the most up-to-date equipment, designed to speed up output and to reduce costs, and will spread all over the country with an eye to strategic advantages. The vast expansion in demand

for plastic products especially warrants large outlays for plants suited to production of the solvents and resins essential in their manufacture. In the long run, rationally, productive capacity for many chemicals is likely to outdistance domestic demand, with the result that foreign markets must be sought with increasing effort. Even now, the decline in shipbuilding has brought an overcapacity for producing acetylene, calcium carbide and other chemicals. Due to annihilation of German competition, export potentials for American chemicals of nearly every description have been decidedly enhanced, provided the level of domestic demand permits the accumulation of exportable surpluses. For example, we now have abundant supplies of sulphur.

Since the outbreak of war with Germany, the United States has gradually achieved a dominant position as a supplier of dyes, a trend likely to be accelerated by the proposed release of all German patents to our chemical industry.

Another branch of the industry which is prospering above-average well is that engaged in production of fertilizers. Suppliers of phosphate rock and potash currently are unable to meet the full requirements of fertilizer manufacturers struggling as never before to meet the flood of orders originating from affluent farmers. During the past six years, moreover, sales of insecticides, fungicides and disinfectants have tripled, rising from $50 million to $150 million annually.

Summing up, no doubt exists as to sales prospects for practically all segments of the chemical industry. While opportunities for fully exploiting the opportunity are somewhat dimmed by temporary handicaps, as pointed out, on balance the leading manufacturers have given a very good account of themselves during the year to date and are likely to continue doing so.

Potentials of Rubber Stocks

(*Continued from page* 579)

household appliances, and plumbing specialties, with the most important of these products, rubber hose, accounting for over two thirds of sales volume, with most of the balance being for belting. Use of conveyor belts has increased tremendously since the war and high demand should continue for some time for factory assembly lines and for conveyors for the mining and construction industry. Tremendous demand exists for rubber hose of all kinds and 1946 sales are estimated at $64 million as compared with $30 million in 1940.

Improving Profit Margins

Considerable increase in profits over 1945 is anticipated for the rubber industry, principal factors being better profit margins for civilian business as compared with government business, despite increased labor costs and reduced taxes. The industry has had no reconversion problems, as the same products were required for war use as for civilian business, and with stoppage of war orders was able to swing into normal business with practically no delay. In addition to this, concentration on a few lines in order to meet the large demand has resulted in more economical operations. Although very few interim reports of the rubber companies are available at the time of writing this article, those available show large increases in earnings over the 1945 period.

Plastics & Chemicals—New Developments

Many new developments are under way using plastics in many and various ways, both substituting for and complementing various textile materials. Uses in draperies, upholstering materials, carpeting, cushions, mattresses, etc. Synthetic rubber mattresses and combinations of synthetic and natural rubber, will compete favorably in price with inner spring mattresses, and material will also be made available in sheet form for use as filling or upholstery in chairs and sofas and for seats in automobiles and airplanes. Plastics under various different names are used for yarns, packaging fresh and frozen fruits and vegetables, coating for fruits and vegetables, cheese, etc., soles and heels, coating of wallpaper, floor covering, impregnating thread and many other uses. More recent developments of the larger rubber companies follow:

Firstone Tire & Rubber Co.: Expanding facilities for manufacture of Contro, elastic yarn, Foamex, foamed rubber latex used for mattresses and seating, Velon, plastic used for garments, drapes, luggage, packaging films, insect screening and upholstery fabrics, etc. Firestone Research Laboratory was opened last year and is engaged in research and development of new materials, methods and products.

B. F. Goodrich Co.: B. F. Goodrich Chemical Co. manufactures and sells Geon polyvinyl resins and other plastic products to fabricators and finishers (Koroseal is one form) synthetic rubber, rubber chemicals and operates government owned synthetic rubber plants and sells reclaimed rubber. Acquired trades names and goodwill of Hycar Chemical Co. in November 1945, including the facilities of that company for manufacture of synthetic rubber. A new plant is under construction at Avon Lake, Ohio, where new chemical materials, processes and techniques will be developed, and tested, on a semi-commercial scale. This plant was scheduled for operation last spring. This company has succesfully impregnated and coated thread, yarn, string, wire, glass fiber, nylon, silk, cotton, wool and rayon with plastic latex, for eventual use in materials for screening, woven upholstery fabrics, tarpaulins and insulating board. Textile fabrics so coated are resistant to grease, moisture and abrasion. Koroseal has been used in hundreds of new products, including draperies, wall coverings, upholstery, luggage and even garden hose. Recent announcement was made of a revolutionary new type of hard-surface floor covering, made of Koroseal and manufactured by Sloane-Blabon Corp. under technical supervision of The Goodrich Co. Material is available in square flexible tile form in a wide range of brilliant solid colors, and embodies all the qualities of durability, flame-resistance, colorability and resistance to wear and weather for which Koroseal is noted in many other applications, according to the company. The new material has been given severe tests, and while more expensive than linoleum, will be used in places where long wear and minimum maintenance are of greater importance than original cost, such as theatres, hospitals, ships, hotels, high class residences, airports, industries, etc. Another new development of this company is the rubber Torsilastic spring, which was used extensively during the war on the 20 ton amphibious landing vehicles. One version of this spring has been in volume production for months and is being used in new urban buses of the Twin Coach Co. These springs give more comfortable riding, minimum of maintenance and long life with low operating costs. Recently the B. F. Goodrich Chemical Division acquired a war emergency synthetic rubber plant in Louisville, Kentucky from the government to further expand production of Geon polyvinyl resins, as well as to continue to produce rubber for the government.

Goodyear Tire & Rubber Co.: Pliofilm developed by the Goodyear Co. is being pushed for packaging fresh and frozen fruits and vegetables, and as a protective coating for oranges and other citrus fruits, keeping them in good condition for months, and also for protection of cheddar cheese while aging. Another Goodyear product, Neolite is used for shoe soles and heels and is said to outwear leather. Pliobond, another Goodyear product, is a synthetic flexible waterproof adhesive of high tensile strength. Pliofoam for insulation, light in weight, an excellent heat and sound insulator, and is expected to have wide use in refrigerators and home freezers, railway cars, buses, airplanes, etc. Vinyl chlor-

ide copolymers are being developed for use in building materials, recent developments include floor coverings, washable wallpapers and plywood-backed vinyl wall panels. Vinyl resin coated cloth, paper and wire also have been produced. New synthetic resin which can be used in manufacture of indoor paints called Pliolite S-5, an improvement over Pliolite used as paint vehicle before the war, but discontinued due to shortage of rubber, has been announced. S-5 can be used in acid and alkali-resistant coatings, concrete floor enamels, wall paints, trims, floor paints, metal primers and finishes, oil and grease resistant coatings, baking enamels and corrosion resistant coatings for ship bottoms, etc. New type packaging machine adapted for high speed wrapping of a wide variety of regular or irregular shaped articles of varying sizes was also introduced several months ago. In a demonstration, the machine tightly wrapped individually in Pliofilm, such objects as chickens, chops, roasts, vegetables, fruits, hardware, small mechanical equipment and cosmetic articles. The machine passes Pliofilm over electrically heated rollers and between two high speed Airfoam belts which cushion the plasticized film tightly around surfaces of the object, at the same time forcing all air from within the formed enclosure. Pre-fabricated housing is another development by company's subsidiary, *Winged Homes, Inc.*, which can manufacture at rate of 157 two-bedroom homes per day if materials are made available. Assembled homes would sell at the factory for under $2,500 and would be delivered ready for occupancy, complete with bathroom and kitchen fixtures, built-in beds, bureaus, closets, mirrors and cabinets. Many other products are under development by Goodyear, including plans for a 300 passenger dirigible.

United States Rubber Co.s Vibron, a war product developed for bullet-sealing fuel cells has good prospects in the plastics field. Product may be used as a building material for pre-fabricated homes, for luggage and furniture, etc. Combined with fabrics, it may make improved substitutes for leather, and with paper, it may become a packaging material. Naugahyde is a vinyl resin coating on fabric and is suitable for many upholstery fabrics. Plastic foam has been developed for insulation purposes, but this product has been sidetracked in favor of more urgent items. Asbeston, a fabric of Asbestos and cotton for ironing board covers, flexible ducts made of phenolic plastic, glass fabric, and Asbestoes, with rubber for an overcoating, are light, durable, and adaptable for many uses. In the agricultural field, U.S. Rubber has developed a fungicide for apple scab, a DDT formula and a selective herbicide for weeding large acreages of cereal crops. Many other products are under development by this company, including a new synthetic rubber with special processing qualities required for footwear and a highly secret plastic developed to immunize bombs will be used to make

stronger, lighter, more decorative furniture.

General Tire & Rubber: Although smaller than the big four units of the rubber industry, this company is not least in development of new products. Company completed a modern and efficient laboratory last year, which will carry on experiments in rubber and plastics, also developed an automatic machine to produce small size passenger tires at the rate of one every two minutes. Company also acts as sales agents for many products, and recently entered the electric refrigeration field, jointly with the Liquid Carbonic Corp., which developed a new combination refrigerator and freezing unit called the Frostor which will be manufactured by Liquid Carbonic and sold by General Tire.

Diverse Outlook for Metal Fabricators

(*Continued from page* 580)

Basically, the company's business is geared to automobile production; since about two-fifths of sales consist of aluminum parts for automobiles. Bohn has expanded and diversified operations by manufacture of aluminum and brass parts for the building industry, for makers of washing machines, refrigerators, and vacuum cleaners, and for aircraft manufacturers. Accordingly, deferred demand for these durable consumers goods and housing plus the growing aircraft industry outlet will be reflected in sales for Bohn far above pre-war levels as soon as customers' output rises. Plenty of aluminum and fair supplies of brass exempt Bohn from the shortages of raw materials which have plagued other fabricators. Furthermore, the company's pricing situation stands out like a rose blooming in a desert; inasmuch as the bulk of original equipment parts for passenger automobiles is free of price control, and the O.P.A. has seen fit to be less stinted in allowing price relief on replacement parts for trucks and passenger cars.

Brass and copper fabricators, on the other hand, present an inferior outlook solely on account of raw materials scarcities. Hardest hit are the wire and cable companies. Metals Reserve Corporation, the Government's metal buying agency, only has less than 30% of its copper stockpile in the form of wire bars, a supply inadequate for needs of wire and cable manufacturers. These fabricators, too, are suffering from the acute shortage of lead as well as of rubber, cotton yarn, and plastics for insulation work. Lead quotas have been reduced from 33,000 tons in the first quarter of 1946 to 27,000 tons in the second quarter, and no relief from the drought is in sight.

Brass mills have been less affected by metals scarcities, but even they are feeling the pinch. Zinc supplies are ample because smaller strikes have upheld output of the metal. A shortage of copper, however, is marring production schedules of brass fabricators. The five months' strike in the copper mining industry has brought output down below requirements of brass mills, but resumption of mining operations may repair the deficiency to near-normal by the year end.

Because of strikes and materials shortages, earnings of reporting brass and wire companies were off sharply in the first half of 1946 and deficits were shown in some cases. In the meantime, higher wages granted in strike settlements and increased ceiling prices on copper and lead have lifted fabricators' prime costs. To compensate for larger factory costs since the war, the O.P.A. twice raised ceiling prices on brass mill products an average of 1.5 cents a pound and then 1.3 cents a pound in April and May respectively, and advanced wire and cable products about 10% on the average in May. Additional price adjustments were granted in June to offset the 2½-cent copper price increase and the 1¾-cent higher lead price. Average 1936-39 profits margins were restored by these steps, and further ceiling price raises are possible in view of the greater leniency manifested by the revamped O.P.A.

Besides improved profit margins, the large demand for wire, cable, and brass mill products from industrial users and for consumers goods brass articles (in the case of Scovill Manufacturing Company) is the most promising aspect of these fabricators' trade positions. With easing of copper shortages likely, and mounting sales indicated for the balance of the year, greatly reduced tax

rates, excess profits tax refunds, tax carryback credits for companies with deficits, and wider profit margins all should eventuate in better earnings for the second half of 1946. Full year profits, however, may not show any change from 1945 owing to poor results in the first part of this year. Rome Cable seemingly will be an exception on the basis of superior first half earnings, and quite likely should turn in higher profits this year.

Special attention should be given to Scovill Manufacturing because of its well diversified production, its profitable lines of consumer items, and its magnificent dividend record. The company's lines include a variety of mill products fabricated of brass, bronze, and nickel silver alloys; parts and complete assemblies for the automotive, rubber, refrigeration, radio, and electrical industries; metal products for the drug, cosmetic and toilet goods trades; metal buttons and snap fasteners; tire valves; safety pins, of which the company is perhaps the world's largest maker; chrome plated brass articles for plumbing; mixers for soda fountain and home use; and vacuum cleaners. Deferred demand for the profitable consumer products is huge, providing the basis of exceptional earnings over the next twelve months. Dividend payments since 1856 place the company in a top drawer among investment issues.

The stock market does not seem to fear either the wartime expansion of manufacturing facilities or the competition of plastics; for metal fabricating stocks have outpaced the market following the end of hostilities. Enlarged capacity is something the industry will have to cope with after the first peacetime flush of demand has been satisfied, but current backlogs of business are sizeable enough to fill capacity output. Copper, lead, and zinc are so much cheaper than plastics averaging around 60 cents a pound, that the latter offers no immediate threat of unseating brass products. Moreover, there is no rea-

son why metal fabricators cannot produce plastic items should the price of the synthetic material ever come down to a competitive base with the low-priced nonferrous metals.

Looking Ahead With the Steels

(*Continued from page* 572)

Act, the Industry Advisory Committee will indubitably have more influence than formerly in sponsoring needed price boosts, but the process will be slow and probably subject to constantly revised pleas in coming months.

Until the industry has fully gained experience with changing costs during the third quarter, it is doubtful if many concerns themselves can guess how their profits will look, that is within anything like close limits. Many a steel producer reporting an unfavorable net during the dismal early period of the year has saved bookkeeping adjustments due to tax factors until the final quarter has been finished. Others which have bolstered early earnings by estimated carry-backs may have to revise their figures in the second half, leaning heavily upon a hopefully improved earnings status to average up the year's showing.

On the other hand, despite all discouragements in the first half, some of the leaders like "Big Steel," Bethlehem, Keystone and Youngstown Sheet & Tube, have managed to keep well in the black under difficult conditions, with prospects for decided further improvement if production keeps on mounting without interruption. In the case of Youngstown Sheet & Tube, optimism over the near term has just expressed itself by declaration of a 75 cents per share dividend against 50 cents in the previous quarter. By and large the steel industry as a whole stands to accelerate an uptrend in net earnings through volume gains more than almost any other segment of the economy. Labor costs average about 45% of total outlays, although in some cases they run as low as 20% and in others mount to over 80%. If a general break-even point of 75% of capacity, estimated after the spring rise in wages, holds true, profit margins can expand very rapidly if production can be held to the present level of 90% or more. At the peak of war production during early 1945, 91% of capacity was utilized, a mark which soon bids fair to be broken. As previously pointed out, however, upon the changing impact of the cost-price squeeze will depend the near term net profits of every concern in the industry, hence estimates had better be held within conservative limits.

As for dividends, the outlook holds promise of general stability even though interim earnings may not fully warrant their payment. The working capital of the stronger concerns is such that they can well afford to retain distributions on an even keel in view of the bright perspective ahead. True, some concerns planning major additions to facilities must now face outlays far above earlier estimates, but available credit in ample supply is ready to meet all needs.

Summing up, if the economy in general is to enter a period of extended prosperity, producers of basic steel are hardly likely to prove laggards. To the contrary they must spearhead the advance. Upon this premise, selectivity may disclose some situations where shares currently are not at all over-priced.

Opportunities for Income and Price Appreciation

(*Continued from page* 583)

105½; to the payment of a $1,000,000 promissory note due September 1946 and to the redemption or purchase for retirement of 255,000 shares of 4¼ per cent cumulative preferred stock, Series A at $100 per share.

Under agreement of merger with Transwestern Oil Co. effective August 2, outstanding 750,000 shares of Transwestern Oil will be converted into 525,000 shares of 4¼ per cent cumulative preferred stock, series A, of Sunray on basis of 7/10ths of a share of such preferred for each share of capital stock of Transwestern; 255,000 shares of such preferred are to be redeemed or purchased for retirement with a portion of the proceeds from present financing. Giving effect to the new financing and merger, outstanding capitalization of the corporation will consist of $20,000,000 funded debt, represented by the new debentures, $10,000,000 serial bank loan, 270,000 shares of 4¼ per cent preferred cumulative stock, series A, and 4,689,188 shares of $1 par common stock. New debentures will have a sinking fund, beginning November 1956 for redemption of $2,000,000 principal amount annually, and will be redeemable in whole or in part at the option of the company at 104 per cent prior to July 1, 1947, at 103¾ per cent after that date, but prior to July 1, 1948, and at

prices scaling down to 100 on or after July 1, 1965, plus accrued interest in each case.

What Prospects for An American Merchant Marine?

(*Continued from page* 569)

thereafter, on April 8, 1946, President Truman approved the Merchant Ship Sales Act of 1946 authorizing the sale of ocean-going cargo vessels at approximately one-half of the prewar cost of construction in American shipyards. Domestic ship operators were permitted first choice as to purchase with a down payment of 25 per cent and the balance payable over 20 years at 3½ per cent interest.

As late as August 2, 1946 the Maritime Commission announced that only 190 American ships built during the war were sold to interests both here and abroad. It is of interest to note, however, that although the basic aim of the Act was to "encourage an efficient and adequate American-owned merchant fleet," the Maritime Commission has received applications for the purchase of more than 700 ships from 120 foreign governments and individuals. Yet more disturbing are reports that some Norwegian and perhaps other foreign shipping interests have been offering to charter Liberty ships, which they intend to buy outright under the U. S. Ship Sales Act, at rates lower than it would cost American owners to operate these same vessels. Such developments as this, plus the fact that in England ships are being unsuccessfully offered for sale at prices lower than ours, is a basis for considerable concern among prospective American buyers. In addition, it is becoming evident that the ships on the Government's shelves are not always suitable as to size and adaptability to American steamship companies and hence considerable undesirable delays may be encountered in rebuilding fleets to prewar tonnage strength.

Of further discouragement to American steamship lines in their uphill fight to meet foreign competition is the reluctance of the Civil Aeronautics Bureau to grant air routes to be operated in conjunction with ocean - going travel. Ship operators recognize that foreign shipping lines are establishing the air networks the Americans are denied and this is weakening the competitive position of the American merchant marine.

Possible Longer Term Solutions

To summarize, the outlook for the American merchant service is obscured by many important adverse factors. Labor costs have risen all out of proportion to labor efficiency and rate structures; foreign competition is again raising its head out of the wreckage of war; appropriate shipping facilities have a long way to go to reestablish prewar tonnages and world trade may be three to five years in developing full volume. On top of this, the right to operate scheduled overseas airlines to combat similar services by foreigners has been denied steamship companies by the CAB; and uncompetitive water and rail rates combined with higher costs have virtually ended private coastwise shipping; while the outlook for profitable operations in the inter-coastal trade is still uncertain.

Meanwhile, potential tourist travel is enormous and American ships are considered the safest and most sanitary in the world. This reputation will be strengthened, moreover, as shipping companies develop medium-sized, fast and comfortable passenger-cargo combination ships. Furthermore, far speedier vessels with improved cargo handling methods and heavier cargo-carrying capacities are visualized which will combine refrigeration, air - conditioning and other improvements and effect economies in time and operating costs. Thus, although our future merchant fleet may be considerably smaller than now it should offer the highest quality in ships and services to be found anywhere on earth. More cooperation from the American public, labor and the Federal Government would aid greatly in

helping our private steamship companies to achieve the highest possible goals.

Another Look at the Liquors

(*Continued from page 577*)

was almost 50 per cent higher than earnings for entire 1945 year. Financial condition was strong, current assets on December 31, last, amounted to $107,-864,167 and current liabilities $41,722,233 as compared with $103,542,518 and $37,529,561, respectively, at close of 1944. Funded debt amounted to $17,-000,000 against $21,750,000 a year earlier.

Schenley Distillers Corp. — Net profit for nine months ended May 31, 1946 amounted to $37,756,-023 almost double that of the like period of preceding year and was equal after preferred dividends to $10.48 a share on 3,600,000 shares of common stock, comparing with $19,078,245 or $5.13 a share on common stock in like 1945 period. Current assets as of August 31, 1945, close of last fiscal year, amounted to $154,-922,230 and current liabilities were $75,910,721 as compared with $140,945,051 and $77,234,-117, respectively, a year earlier. Long term debt was $8,000,000 against $11,400,000.

Hiram Walker - Gooderham & Worts, Ltd.—Net profit for nine months ended May 31, 1946 amounted to $11,225,209 equal after dividend requirements on preferred stock, to $14.97 a share on 721,537 shares of common stock, comparing with $6,564,038 or $8.51 a common share in like period of preceding year. Current assets at close of last fiscal year, August 31, 1945 amounted to $81,195,176 and current liabilities were $29,806,684 as compared with $74,002,441 and $24,-347,779, respectively, a year earlier. Funded debt amounted to $12,100,000 as compared with $13,200,000 on August 31, 1944.

Publicker Industries, Inc. — Net income for quarter ended March 31, 1946 amounted to $5,701,934 equal after dividend requirements on preferred stock to $2.86 a share on 1,952,004 shares of common stock. No comparison is available. For the six months ended June 30, 1945 net income was $2,936,307. Current assets as of December 31, 1945 amounted to $54,045,921 and current liabilities were $33,713,329 as compared with $44,670,451 and $41,628,751, respectively, at close of 1944.

Life Insurance for the Younger Generation

(*Continued from page 586*)

table based at ages ten and fifteen years respectively is illustrative of the results to be obtained.

$10,000 Ordinary Life

	Age 10	Age 15
Annual Premium	$ 154.00	$ 167.00
Total premiums to age 65	8470.00	8350.00
Guaranteed cash value at 65	6096.60	5992.70
*Accumulated Div. to 65	7048.00	5991.00
Gain of cash value plus Accum. dividends .. over premiums paid	$4674.60	$3633.70

*Dividends are computed on the present dividend scale and are neither estimates nor guarantees for the future.

Consider also the advantages of establishing the above plan now:

1. Creates pride of ownership.
2. Cultivates consistent thrift.
3. Develops habit of stability.
4. Protects child's insurability.
5. Guarantees life-long low premium.
6. Instills feeling of responsibility.
7. Provides future credit foundation.
8. Furnishes cash reserve for emergencies.
9. You will enjoy protection on the child.

Once such a life insurance policy is established, the boy should take over the responsibility of payment of premiums when he enters business life and commands earning power. It is quite likely that in later life, the boy will earn a substantial sum of money, but the policy that is started and provided for him now can never be purchased as cheaply.

As previously described, here is a most practical solution which should be of definite interest to parents all over this country.

For Profit and Income

(*Continued from page 589*)

lure. There are huge paper profits on most of the stocks. Holders have seen them come down sharply from their bull-market highs, and hence are now eagerly waiting for rallies on which to do some big profit-taking. Therefore, the stocks have rallied little and no longer respond significantly to good news in the way of brilliant earnings and boosted dividends. Those with a big stake in hard goods—examples: Montgomery Ward, Sears, Roebuck; Mercantile Stores, Sterchi, Western Auto Supply and Reliable Stores — probably have the best chance of a market revival.

(*Continued on following page*)

Problems Involved in Capital-Building Today

(*Continued from page* 587)

Such are some of the chief problems to be considered in a realistic capital building program, although the list of such problems is by no means complete. In our subsequent articles, we shall outline specific programs developed with these problems in view.

Why Rising Demand for Working Capital?

(*Continued from page* 563)

what exceed the 1941 figure, the company still has $522 million of working capital to carry on operations. Big corporations have gone to outside sources for additional funds simply because they do not wish to squander too great a part of their reserves. They like to put away money for a rainy day.

A New Era of Corporate Mergers?

(*Continued from page* 560)

concerns. As traffic increases, opportunities will be presented for some of the more aggressive smaller concerns to expand and compete with the powerful "Big Four"—American Airlines, Eastern, United and Transcontinental & Western Air, Inc. Chief among newer companies which have gained prestige include: Northwest Airlines, Pennslvania-Central, Braniff and National.

Conditions appear ripe for consolidations in the baking industry, which currently is prospering. With the rise in national income, demand for crackers, cookies and similar sweet goods has increased to a point where the large producers, namely, National Biscuit, Sunshine Biscuit and United Biscuit, find it difficult to produce sufficient supplies to meet retail requirements. Hence, small marginal concerns are findingthe outlook especially bright.

The electric power and light industry, which contributed numerous mergers in the 1920 boom, is experiencing compulsory disintegration as large holding companies are broken up into smaller units. Some day in the years ahead new combinations may develop in utilities, but mergers may be few and far between in this industry for the time being.

Depreciation of the American Dollar and World Trade Aspects

(*Continued from page* 558)

imports. The fallacy of this teaching is being brought home by the present situation. We are exporting more, at least in some lines, than we can possibly afford. For some of the exports we are accepting IOU's that may or may not be collectable. On top of that, there is a danger that, if prices here go up considerably, foreign nations may resort to currency manipulation in order to be better able to compete with the American consumer. Under the circumstances, it seems that our best protection is to increase our imports wherever it is advantageous, i. e., wherever we can get foreign goods and services for less money than we would have to pay for them at home. Thus not only will we be getting something really tangible in payment for the goods and services that we export or sell abroad, but we will be augmenting the volume of goods at home, thereby checking inflationary tendencies.

As I See It!

(*Continued from page* 553)

bring pressure to bear in other quarters of the globe, such as vital areas of the British Empire, or in trouble-spots like the Dardanelles. Thus, latest dispatches of mounting tension between Russia and Turkey bear careful watching, from this point on, not that it necessarily means war, but that such sabre-rattling by Moscow takes on special significance at the present time.

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